Eskom
1923 2023
INTEGRATED REPORT
FOR THE YEAR ENDED 31 MARCH 2023

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We are a proud supporter member of the following bodies

IFRS Sustainability Alliance

A PROUD MEMBER INTEGRATED REPORTING COMMITTEE OF SOUTH AFRICA 2023/24

OUR SUITE OF REPORTS

As part of our comprehensive integrated and financial reporting, this 2023 integrated report is supplemented by our other reports which make up our reporting suite for 2023

IR Integrated report

AFS Annual financial statements

SR Sustainability report

A list of abbreviations and glossary of terms are available on page 147 to 151

To complete a short survey on our report, please click here

SIX CAPITALS

The following navigation icons are used to depict the six capitals (refer to page 3 to 4 for definitions):

- Our finances (financial capital)
- Our infrastructure (manufactured capital)
- Our interaction with the environment (natural capital)
- Our people (human capital)
- Our role in communities (social and relationship capital)
- Our know-how (intellectual capital)

PERFORMANCE INDICATORS

Throughout this integrated report, performance against target is indicated as follows:

- Actual performance met or exceeded target
- Actual performance almost met target (within a 5% threshold)
- Actual performance did not meet target
- SC Indicates that a key performance indicator is included in the shareholder compact with DPE

TURNAROUND OBJECTIVES

- Operations recovery
- Financial recovery
- People, culture and ethics
- Legal separation

ADDITIONAL CONTENT

- Information block or case study
- Information available online

DIGITAL NAVIGATION

Please use the tabs at the top of this report as well as the buttons to navigate digitally:

- Return to contents page
- Previous page
- Next page
- Return to previous view

Year in review

EAF worsened further to
56.03%
(2022: 62.02%)

Loadshedding
280 days
(2022: 65 days), despite extensive OCGT usage

Significant deterioration in
emissions performance

Poor Transmission
network reliability performance

New build
Kusile Unit 4 commissioned

4 employee and contractor fatalities
(2022: 6)

Lost-time injury rate declined to
0.26
(2022: 0.24)

Headcount reduced by
820
(2022: 2 328)

523
youth employment services learners appointed

Net loss before tax worsened to
R31.6 bn
(2022: R15.2 bn)

Tariff increase of
9.61%
(2022: 15.06%)

Committed funding raised
R59.9 bn
(2022: R35.8 bn)

Arrear municipal debt escalated to
R58.5 bn
(2022: R44.8 bn)

R254 bn
Government debt relief announced

Significant leadership changes, including
a new Board

About this report

BOARD RESPONSIBILITY AND APPROVAL

Eskom's Board is accountable for the integrity and completeness of Eskom's reports to stakeholders, which includes the integrated report and any supplementary information. It is supported in this regard by the Audit and Risk Committee and the Social, Ethics and Sustainability Committee.

The Board has considered the integrated report and is satisfied that it has been prepared in accordance with the Integrated Reporting Framework. Considering the reliability of information presented and the completeness of material items discussed, and based on the combined assurance process followed, the Board approved the 2023 integrated report and supplementary information on 30 October 2023.

Mpho Makwana
Chairman of the Board

Fathima Gany-Ahmed
Chair: Audit and Risk Committee

Bheki Ntshalintshali
Chair: Social, Ethics and Sustainability Committee

Eskom is South Africa's national electricity utility. Our mandate is to ensure a stable electricity supply in an efficient manner, to contribute to lowering the cost of doing business and enable economic growth. Given our mandate, Eskom has a considerable impact on the economy and the everyday lives of all South Africans, combined with our poor operational performance that resulted in unprecedented levels of loadshedding during the past year, at huge cost to the economy, as well as our reliance on the fiscus for financial support. The latter has an impact on the Sovereign credit rating and therefore the cost of our country's borrowings, which ultimately affects the funds available for other Government programmes. A cost-reflective tariff will support our financial sustainability and limit our reliance on Government support.

We interact with a diverse range of stakeholders, such as our shareholder, represented by the Department of Public Enterprises (DPE), lenders, employees, customers, suppliers, regulators, civil society and Government.

We create value through the generation, transmission, distribution, purchase and sale of electricity. Our value creation model depicts how we transform inputs into electricity supplied to customers, and considers the impact of our business on the six capitals. We believe that our integrated report provides a transparent and balanced account of how we create, preserve or erode value.

IR Our business model is set out on pages 10 and 11

HOW WE DEFINE THE SIX CAPITALS

We use resources representing all six capitals set out in the Integrated Reporting Framework as inputs in our business. Very often, the creation of value in one area leads to the erosion of value in another, given the inevitable trade-offs. We must ensure that our business remains sustainable across all the capitals, and we are experiencing varying degrees of constraints across all the capitals.

Our interpretation of the capitals is set out below, with detail provided in the individual sections dealing with each of the capitals.

Financial capital is fundamental to our sustainability as a business. It consists of retained earnings, equity from our shareholder through National Treasury, and debt funding provided by lenders, a large portion of which is Government guaranteed.

Lenders and bondholders earn a return in the form of interest. Given our financial constraints, our shareholder does not receive any dividends at this time.

Manufactured capital comprises our base-load and peaking power stations, and transmission and distribution networks. Capacity supplied by independent power producers (IPPs) and imports supplements our own generation capacity.

Our manufactured capital base is enhanced by the commissioning of new units at power stations and extending power lines, as well as through maintenance and refurbishment of existing plant. The process of generating, transmitting and distributing electricity erodes that base.

Natural capital in the form of non-renewable or otherwise scarce primary energy sources, such as coal, water, fuel oil, diesel and nuclear fuel, is consumed to generate electricity.

Waste is produced in the form of ash, particulate and gaseous emissions, contaminated water and nuclear waste, which also erodes natural capital. We aim to transition to a cleaner energy mix to reduce our impact on the environment through the increased use of renewable energy, while acknowledging the impact

About this report *continued*

on the environment of pursuing certain technologies, such as lithium. Our transmission and distribution networks also have a negative impact on bird life in some cases, despite our aim to mitigate our impact on the natural environment.

Human capital covers our employees and contractors, and their competencies, capabilities and experience. We continue to focus on transforming our workforce in terms of racial, gender and disability equity, and instilling a high-performance ethical culture in our employees.

As employee benefit costs is a significant cost driver, we have been pursuing a reduction in our headcount, mainly through natural attrition, although this has to be balanced with preserving our skills and knowledge base. Human capital is enhanced through training and skills development, but these efforts remain constrained by our financial situation. Furthermore, the loss of competent staff, whether through resignation, retirement or other factors, negatively impacts that knowledge base.

Social and relationship capital focuses on interactions with customers, suppliers, communities and the public in general. We believe that strong stakeholder relationships are critical to our ability to create value.

We contribute to society by enabling economic growth through the supply of electricity to all customers, whether directly or indirectly; electrifying new – mainly disadvantaged – households in our licensed areas of supply; supporting Government's priorities of job creation, skills development, supplier transformation and broad-based black economic empowerment (B-BBEE); as well as improving the lives of many South Africans through our corporate social investment (CSI) and socio-economic development activities. We regret that our power stations and to some extent, our networks, have a negative impact on the health of the communities in which we operate. We have several projects under way to reduce emissions, and a pilot project is under way to consider how to mitigate the impact on air quality.

Intellectual capital includes technology, which comprises information, telecommunications and operational technology; organisational knowledge, systems, policies and procedures; as well as research and innovation to industrialise future technologies and improve current operations. Our world-class System Operator plays a critical role in managing the supply/demand balance of the power system by maintaining the frequency at 50Hz.

IR Selected inputs and outputs to the value creation process are highlighted in the business model from page 10

APPROACH TO PRESENTATION

This integrated report reviews our financial, operational, environmental, social and governance performance for the financial year from 1 April 2022 to 31 March 2023, and considers the outlook for the future. Unless otherwise stated, both financial and non-financial performance data in this report relates to the 2023 financial year. Significant events up to the date of approval have been referenced.

The report covers the group performance of Eskom Holdings SOC Ltd (Eskom) and its major operating subsidiaries, and information presented is comparable to that of prior years, both unless otherwise stated. Although the integrated report contains a set of condensed annual financial statements, it should be read in conjunction with the group annual financial statements, for a complete overview of the group's financial performance.

AFS Eskom's group annual financial statements are available at www.eskom.co.za/investors/integrated-results/. Restatements due to the adoption of an accounting standard that required retrospective application are dealt with in note 48

Our integrated report is based on the guiding principles and content elements contained in the revised Integrated Reporting Framework, issued in January 2021. The content is further guided by legal and regulatory requirements, such as the Companies Act, 2008 and the King IV Report on Corporate Governance for South Africa, 2016, (King IV™) as well as global best practice, such as recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). We have not yet begun assessing the impact of the sustainability standards S1 and S2, released by the International Sustainability Standards Board in June 2023, and which are due for implementation by the 2025 financial year.

This is our primary report to stakeholders aimed predominantly at providers of financial capital, although the report aims to provide information to a wide range of stakeholders. We believe in providing a balanced, transparent and complete account of our performance, by focusing on matters material to our ability to create, preserve or erode value. We also consider qualitative and quantitative matters material to our operations and strategic objectives, as well as strategic risks and opportunities.

Through our short-term turnaround and longer-term strategic objectives, our use of and impact on the six capitals are connected to our strategy, material matters, organisational and strategic risks, key performance indicators (KPIs) and performance. In our context, short term means within one year after year end, medium term within one to five years, and long term more than five years. Accordingly, we indicate the short-term targets for the 2024 financial year when reporting on KPIs in this report, as well as the medium-term targets for the 2026 financial year. Where a KPI is contained in the shareholder compact with DPE, the shareholder compact target is shown in this report.

PREPARATION PROCESS

A team from the Group Finance Division produces the integrated report and supplementary information, under the supervision of our acting Group Chief Financial Officer, Mr Martin Buys CA(SA). The team collaborates with representatives from all areas of the business to source the information presented in the report.

Eskom submits a quarterly report to our shareholder, based on DPE's reporting guidelines and National Treasury regulations. It reports on performance against the shareholder compact agreed with DPE, and also covers financial, operational, governance and restructuring matters in terms of section 1(2)(b) of the Special Appropriation Act, 2019, as well as the requirements of DPE's Risk and Integrity Management Framework. The quarterly shareholder report forms a key input into the integrated report, together with our strategic Corporate Plan that we submit to DPE on an annual basis, all of which are approved by Eskom's Board prior to submission to DPE.

The content is further guided by the material matters determined during the preparation process. Content is reviewed by subject matter experts from the business, as well as executives and Board members, with the Audit and Risk Committee and the Social, Ethics and Sustainability Committee formally recommending approval of the report to Board. In approving the integrated report, the Board assumes ultimate accountability for the content, completeness and reliability of the report.

IR The materiality determination process and resulting material matters are discussed from page 31

Financial information is presented in South African Rand, our functional and presentation currency. Figures are taken from Eskom's group annual financial statements, which are prepared in accordance with IFRS. KPIs are reported based on internally developed measure specification documents setting out measurement criteria; these are linked to process control manuals. Non-financial data is reported regularly to Exco and the Board, and included in the quarterly shareholder report.

OUR SUITE OF REPORTS

Our 2023 suite of reports comprise:

INTEGRATED REPORT

The integrated report is prepared in accordance with the Integrated Reporting Framework. It considers our value creation model, strategy, risks and opportunities, performance and outlook, as well as governance of these areas. Certain disclosures required under regulations issued by National Treasury relating to the disclosure of information under the Public Finance Management Act (PFMA), 1999, are also covered in this report. Supplementary information of interest to a variety of stakeholders is included at the back of the report.

Eskom's Internal Audit Department provided reasonable assurance limited to certain quantitative information, and to a lesser extent, qualitative aspects of the report. The group's external auditors, Deloitte & Touche, were engaged to provide reasonable assurance on selected KPIs disclosed in the integrated report; all but one of the 42 KPIs scoped for reasonable assurance received an unqualified opinion.

IR The list of KPIs subject to reasonable assurance are set out from page 171. The independent sustainability assurance report is included from page 174

ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Eskom Holdings SOC Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the requirements of the Companies Act, 2008 and the PFMA, 1999.

The consolidated annual financial statements have been audited by the group's independent auditors, Deloitte & Touche, who issued a qualified opinion relating to information disclosed in terms of the PFMA, 1999. Except for this qualification, the consolidated annual financial statements are fairly presented in terms of IFRS. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material uncertainty relating to Eskom's ability to continue as a going concern. However, this does not affect their opinion.

AFS The independent auditor's report is incorporated in the annual financial statements

SUSTAINABILITY REPORT

The sustainability report supplements and provides more detailed information on our sustainable development impact than that provided in the integrated report. The report is guided by the reporting principles of the Global Reporting Initiative (GRI) and also considers our contribution to the United Nations' Sustainable Development Goals (SDGs).

The Internal Audit Department provided reasonable assurance limited to certain quantitative information, and to a lesser extent, qualitative aspects of the report.

FORWARD-LOOKING STATEMENTS

Certain statements in this report regarding Eskom's business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations.

Forward-looking statements constitute current expectations based on reasonable assumptions, data or methods that may be imprecise and/or incorrect and that may be incapable of being realised. As such, they are not intended to be a guarantee of future results. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. Eskom neither intends nor assumes any obligation to update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.

Future performance plans and/or strategies referred to in the integrated report have not been reviewed or reported on by the group's independent auditors.

Who we are

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16 Executive Management Committee

Understanding our business

MANDATE, VISION AND MISSION

Our mandate, set out by DPE, is to assist in lowering the cost of doing business in South Africa; enabling economic growth; and providing stability of electricity supply by providing electricity in an efficient and sustainable manner. Furthermore, Eskom is also expected to support Government's policy objectives.

Our vision is "Sustainable power for a better future", by promoting sustainability in the electricity supply industry.

Our mission is threefold:

1. **Turning around the existing business** and reviving our financial and operational sustainability
2. **Creating a sustainable Eskom that drives economic growth** by providing reliable and efficient electricity and ancillary services in a manner that adds value for all South Africans
3. **Making a positive social impact** in the country by driving shared growth through sustainable electricity solutions

ESKOM'S BUSINESS

Eskom was established on 1 March 1923, known then as the Electricity Supply Commission, or ESCOM. It was responsible for establishing and maintaining electricity supply undertakings for the whole of South Africa, but on a regional basis. Electricity was to be supplied efficiently, cheaply and abundantly to government departments, railways and harbours, municipalities and industry.

Even before that, independent power producers (IPPs) were responsible for the early development of the electricity supply industry in South Africa, with Kimberley switching on electric streetlights in September 1882. The first small power stations were built in the late 1890s to supply electricity to the gold mining industry; by 1915 four thermal power stations had been built to meet the increasing demand from mines and new mining towns.

i

When ESCOM was established in 1923, one of its tasks was to take over and consolidate many of the existing electricity supply undertakings. Another was to foresee future requirements, to plan accordingly and to build new power stations, as well as expand existing ones, to meet the growing demand for this vital commodity, electricity.

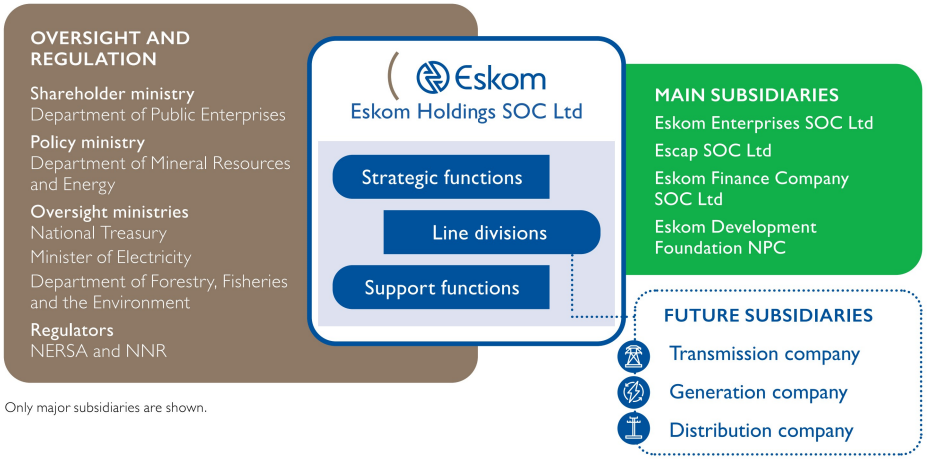
Over the years, Eskom has been a keystone of the country's economic and democratic transitions. We have been instrumental in South Africa's expansion of energy and electrification to the majority of the citizens of South Africa. Through the successful implementation of Government's Integrated National Electrification Programme (INEP), we have electrified approximately 5.9 million households within Eskom's licensed areas of supply since early 1991. This has contributed to around 86% of electricity coverage in South Africa, as we remain on course to achieve universal access through new decentralised innovations such as microgrids for hard-to-reach communities.

We have provided the power to drive economic growth and development in South Africa and the Southern African Development Community (SADC) region. We have been led by top South African leaders and executives, and have trained many of South Africa's top engineers. Furthermore, we have provided jobs for thousands of Eskom Guardians and those employed by contractors and suppliers. Eskom has contributed to the upliftment of communities by touching the lives of millions of South African beneficiaries through the Eskom Development Foundation. And finally, we have powered value chains and businesses at all scales and reflective of all South African demographics through the procurement of goods and services.

A century later, the generation, transmission, distribution and sale of electricity still form the bedrock of our business. This is supplemented by the construction of new power stations such as Medupi and Kusile, which are due for completion by the 2028 financial year, and network infrastructure. Generation, Transmission and Distribution Divisions are the core functions, supported by strategic and support functions. We have a number of subsidiaries that support Eskom's business in various ways.

IR An overview of the functions of subsidiaries is set out under "Group overview" on page 12

Understanding our business *continued*



Only major subsidiaries are shown.

Eskom is one of the last remaining vertically integrated utilities in the world. DPE released its *Roadmap for Eskom in a Reformed Electricity Supply Industry* (DPE's Roadmap) in October 2019. In response, we are transforming the vertically integrated structure, by restructuring towards the creation of three independent subsidiaries through the legal separation process we have embarked on.

The Southern African Power Pool forms an interconnected grid, which supports grid stability. This relies on sufficient and reliable transmission grids in neighbouring countries to facilitate the transmission of electricity throughout southern Africa.

We generate close to 90% of the energy supplied to a wide range of customers in South Africa and the region, by transforming inputs from the natural environment, such as coal, nuclear fuel, fuel oil and diesel, as well as water and wind, into energy. The supply and demand of electricity has to be balanced in real time, which our System Operator does by maintaining the frequency of the power system at 50Hz.

We also play a developmental role. As required by Government, we support the National Development Plan 2030 (NDP) through job creation, economic and skills development, broad-based black economic empowerment (B-BBEE), and other national initiatives. Our activities also support several of the United Nations' Sustainable Development Goals (SDGs).

Our new build programme commenced in 2005, to build new power stations and strengthening our transmission grid to cater for the increasing energy demand. To date, the new build programme has delivered four units at Ingula Pumped Storage Power Station, six units at Medupi Power Station and four units at Kusile Power station, as well as 14 open-cycle gas turbine (OCGT) units and refurbishment of previously mothballed stations. However, three units at Kusile were out of service for almost a year due to a collapsed flue stack, although two have returned to service; Unit 4 is being managed through planned maintenance interventions to prevent a similar incident. Medupi Unit 4 is also offline due to a generator explosion in August 2021. Several defects identified on the new build units are being rectified, in order to improve the availability and reliability of the new build units.

IR Detailed information on our power stations, power lines and substation capacities is available on pages 166 to 168

As we have been pointing out for a number of years, to address the demand shortfall, additional base-load generation capacity of 4 000MW–6 000MW is required urgently, coupled with improving the performance of our existing power stations.

HOW WE ARE REGULATED

Eskom Holdings SOC Ltd is a state-owned company (SOC) as defined in the Companies Act, 2008 and is wholly owned by the South African Government. The Department of Public Enterprises is our shareholder ministry and sets our mandate and oversees our performance. Energy policy is set by the Department of Mineral Resources and Energy (DMRE), while National Treasury and the Department of Forestry, Fisheries and the Environment (DFFE) oversee aspects of our activities and ensure compliance with various regulations.

In March 2023, President Cyril Ramaphosa appointed Dr Kgosientsho Ramakgopa as Minister of Electricity and transferred to him certain powers and functions contained in the Electricity Regulation Act, 2006 that were previously under the Minister of Mineral Resources and Energy. His focus is on solving the power crisis at Eskom, with his primary task being oversight of the electricity crisis response to reduce the severity and frequency of loadshedding.

We are also subject to oversight or regulation by several other Government departments, Parliamentary committees and regulators.

GENERATION CAPACITY

30
Power stations

46 788MW
Total nominal capacity

Base-load stations

39 099MW
Coal-fired stations

Mid-merit and peaking stations

2 724MW
Pumped storage

1 854MW
Nuclear power

602MW
Hydro stations

Self-dispatching energy

100MW
Sere wind farm

2 409MW
OCGTs

NETWORK CAPACITY

405 173km
of high-, medium- and low-voltage lines and underground cables

301 893MVA
of transformer capacity

Eskom is subject to numerous laws and regulations, including conditions relating to tariffs, environmental compliance, procurement and human resources. Our licensing conditions place strict limits on plant emissions to limit our environmental impact. Relevant laws and regulations include, among others:

- Electricity Regulation Act, 2006
- Companies Act, 2008
- PFMA, 1999
- Special Appropriation Act, 2019
- National Treasury regulations
- National Energy Regulator Act, 2004
- National Nuclear Regulator Act, 1999
- National Environmental Management Act, 1998
- Occupational Health and Safety Act, 1993
- Basic Conditions of Employment Act, 1997
- Labour Relations Act, 1995
- Broad-Based Black Economic Empowerment Act, 2003
- Preferential Procurement Policy Framework Act, 2000
- Promotion of Access to Information Act, 2000

The PFMA, 1999 requires us to submit a strategic Corporate Plan on an annual basis, which sets out our strategic objectives, with plans and targets to achieve those. The latest plan covers the five-year period to 2028.

On an annual basis, we agree on a shareholder compact with DPE, to track the KPIs that support our mandate and the strategic objectives under DPE's Strategic Intent Statement for Eskom.

IR The directors' report in the consolidated annual financial statements covers performance against the 2023 shareholder compact. Throughout tables in this report, shareholder compact KPIs are denoted using [SC]. Where relevant, these KPIs are also included in the statistical tables, available at the back of this report, from page 158

GROUP OVERVIEW

Eskom Holdings SOC Ltd is the group holding company. It is the current vehicle for the electricity business and holds investments in subsidiaries. Our head office is based in Johannesburg, with administrative offices in most major centres. Our operations span the length and breadth of South Africa.

Understanding our business *continued*

BUSINESS MODEL

INPUTS

FINANCE

R59.9 billion Funding secured
R21.9 billion Government support

INFRASTRUCTURE

46 788MW Nominal power station capacity
7 110MW IPP capacity
405 173km Power lines and cables

ENVIRONMENT

102.4Mt Coal burnt
256 430Mℓ Net raw water used

PEOPLE

40 421 Employees (at 31 March 2022)
R1.1 billion Training spend

SOCIETY AND RELATIONSHIPS

R63 million CSI committed spend
R2.4 billion DMRE electrification funding

PROCESS DESCRIPTIONS

PRIMARY ENERGY
Identify, source, procure and deliver primary energy (coal, water and limestone) of the right quality, at the right time and at optimal cost to our power stations

FOSSIL FUEL-BASED GENERATION
Generate electricity from coal, optimally manage asset performance and leverage core competencies to expand the revenue base. Utilise gas-fired stations owned by Eskom and independent power producers (IPPs) as peaking capacity

NUCLEAR GENERATION
We operate Koeberg Nuclear Power Station, Africa's first and only nuclear power station

RENEWABLE GENERATION
Renewable energy is supplied by IPPs, primarily in the form of solar photovoltaic (PV) and wind energy, and by Eskom, using hydroelectric and wind energy

SYSTEM OPERATOR
Maintain the frequency of the power system at 50Hz, to balance electricity supply and demand in real time

TRANSMISSION
Provide a reliable and efficient transmission network and energy market services in South Africa and neighbouring markets

DISTRIBUTION
Provide reliable energy and related services to our customers, enhance the customer experience and collect revenue

OUTPUTS

PRODUCTS
188 401GWh Electricity sales to distributors and industrial, commercial, international, residential and other customers

WASTE AND BY-PRODUCTS
30.20Mt Ash produced
129.32kt Particulate emissions
187.5Mt CO_2 emitted

OUTCOMES

FINANCE
- ▼ **R72.2 billion** Debt and interest repaid
- ▲ **R259.5 billion** Revenue
- ▼ **R29.7 billion** Spent on Eskom and IPP OCGTs
- ▲ **R38 billion** EBITDA
- ▼ **R58.5 billion** Arrear municipal debt

INFRASTRUCTURE
- ▲ **799MW** New capacity from Kusile Unit 4
- ▲ **326.1km** Transmission lines installed
- ▲ **R33.9 billion** Capital expenditure
- ▼ **56.03%** Energy availability factor
- ▼ Delays in the RMIPPPP and RE-IPP bid window 5

ENVIRONMENT
- ▼ **105** Environmental legal contraventions
- ▼ **0.70kg/MWhSO** Relative particulate emissions
- ▼ **1.39ℓ/kWhSO** Specific water consumption

PEOPLE
- ▲ **39 601** Employees at year end
- ▼ **0.26** Lost-time injury rate
- ▼ **4** Employee and contractor fatalities
- ▲ **R32.3 billion** Employee benefit expense

SOCIETY AND RELATIONSHIPS
- ▲ **438 094** CSI beneficiaries
- ▲ **102 590** Electrification connections
- ▼ **280 days** Loadshedding

▲ Positive outcome ▼ Negative outcome

TURNAROUND OBJECTIVES

- Operations recovery
- Financial recovery
- People, culture and ethics
- Legal separation

IR Our value creation and preservation is underpinned by our turnaround objectives over the short to medium term. Read more from page 39

M1 Liquidity and going concern in the short to medium term, and ultimately, financial sustainability over the long term
M2 Government support and debt structure
M3 Improving operational stability to lessen the electricity crisis
M4 Environmental performance and compliance
M5 Climate change and Eskom's Just Energy Transition
M6 Leadership stability
M7 Adequate skills in a high-performance ethical culture
M8 Fight against fraud, corruption and crime
M9 Governance, compliance and ethics
M10 Progress on legal separation

IR Our material matters influence our ability to create and preserve value. Refer to page 31 for further information

We aim to align our value creation with a selection of UN SDGs

SR Refer to the sustainability report

Understanding our business *continued*

Under our legal separation process, new subsidiaries have been established to house the transmission and distribution businesses. The operationalisation of the National Transmission Company South Africa SOC Ltd (NTCSA) has been delayed due to several key policy and regulatory dependencies, but is expected during the 2024 financial year. The National Electricity Distribution Company South Africa SOC Ltd (NEDCSA) has been registered to house the distribution business, but the process has also suffered delays due to key external dependencies, and is also dependent, to some extent, on progress in the NTCSA process. Operationalisation of NEDCSA is anticipated by the 2026 financial year. Options are being considered for the future of the generation business.

The Eskom group comprises the operating company with its subsidiaries and joint ventures. Our local subsidiaries provide strategic services to Eskom and our employees. We had a subsidiary based in Uganda, but it is to be wound down following the conclusion in March 2023 of the 20-year concession arrangement to operate and maintain Nalubaale and Kiira hydroelectric power stations in Uganda.

For an overview of electricity generation in Uganda and the activities of Eskom Uganda, refer to https://www.youtube.com/watch?v=QQMIDin9Y0k

Significant subsidiaries are discussed below.

SUBSIDIARIES OF ESKOM

Escap SOC Ltd is a wholly owned insurance captive company. It manages and insures the business risk of Eskom and its subsidiaries.

Eskom Finance Company SOC Ltd (EFC) provides housing and other loans to employees. The disposal of EFC, mandated by the shareholder, has resumed. However, the offer received was not approved due to it not meeting requirements.

The Eskom Development Foundation NPC (the Foundation) is a non-profit company under section 21 of the Companies Act, 2008. It implements Eskom's CSI programmes, thereby improving the quality of life of communities where we operate.

Eskom Enterprises SOC Ltd (EE) is an investment holding company. An overview of its subsidiaries is provided below.

AFS Full details of Eskom's equity-accounted investees and subsidiaries at 31 March 2023 are set out in notes 11 and 12 of the consolidated annual financial statements

SUBSIDIARIES OF ESKOM ENTERPRISES

Eskom Rotek Industries SOC Ltd (ERI) provides technical support to the electricity business, including lifecycle and plant maintenance services.

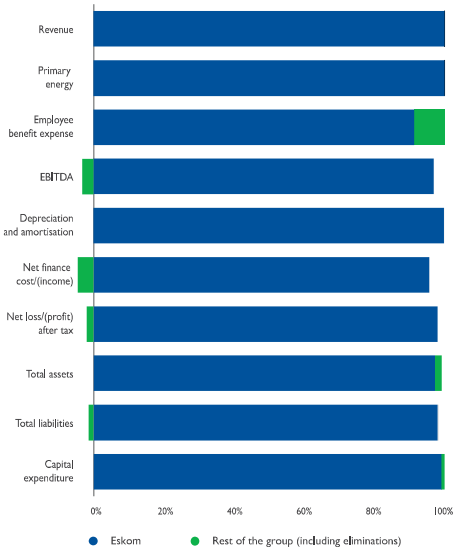
Pebble Bed Modular Reactor SOC Ltd (PBMR), which is wholly owned by EE, is in a state of care and maintenance to preserve the intellectual property created during operation. The EE Board is considering the way forward on PBMR.

EE continues to hold an effective interest of 69% in South Dunes Coal Terminal Company SOC Ltd (SDCT), both directly and indirectly through Golang Coal SOC Ltd. Through its participation in the Phase V expansion of the Richards Bay Coal Terminal (RBCT), SDCT owns rights to export coal.

Other dormant subsidiaries of EE are in the process of being wound up or liquidated.

CONTRIBUTION TO FINANCIAL PERFORMANCE

The contribution from Eskom and the other group companies to group performance and financial position is shown below. It is clear that the Eskom business remains by far the most significant.



Profits/income in subsidiaries are shown as negative figures in the graphs above.

AFS Segment disclosure for Generation, Transmission, Distribution and other segments is provided in note 7 of the consolidated annual financial statements

THE ELECTRICITY SUPPLY INDUSTRY

The electricity supply industry in South Africa consists of the generation, transmission, distribution and sale of electricity. It includes the import and export of electricity to and from neighbouring countries.

Eskom owns and operates most of the base-load and peaking capacity, while IPPs supplement generation capacity, mainly in the form of wind and solar PV power. In theory, gas turbines – both Eskom- and IPP-owned – supply peaking capacity, although in reality, these units are run at load factors far in excess of design expectations due to the supply constraints we have seen over the past few years.

IR Capacity added and energy supplied by IPPs are discussed from page 107

The industry is regulated by the National Energy Regulator of South Africa (NERSA) under the National Energy Regulatory Act, 2004 and the Electricity Regulation Act, 2006, by providing licences, regulatory rules, codes and guidelines. Importantly, NERSA determines our allowed revenue in accordance with the Electricity Pricing Policy (EPP).

Our nuclear power station, Koeberg, is overseen by the National Nuclear Regulator (NNR), to ensure that Koeberg complies with nuclear safety standards to protect individuals, society and the environment against radiological hazards linked to the use of nuclear technology.

SUPPLY AND DEMAND OF ELECTRICITY

Electricity is supplied through our transmission and distribution networks to local and export customers by Eskom's power stations, supplemented by IPPs and cross-border suppliers.

We export power to several countries in the Southern African Power Pool, however, the extent of exports is diminishing as a result of our power supply constraints. We also import power from several countries in the region. Mozambique is by far our most significant trading partner for both imports and exports.

IR The number of customers, electricity sales volumes and revenue by customer segment are set out on page 169

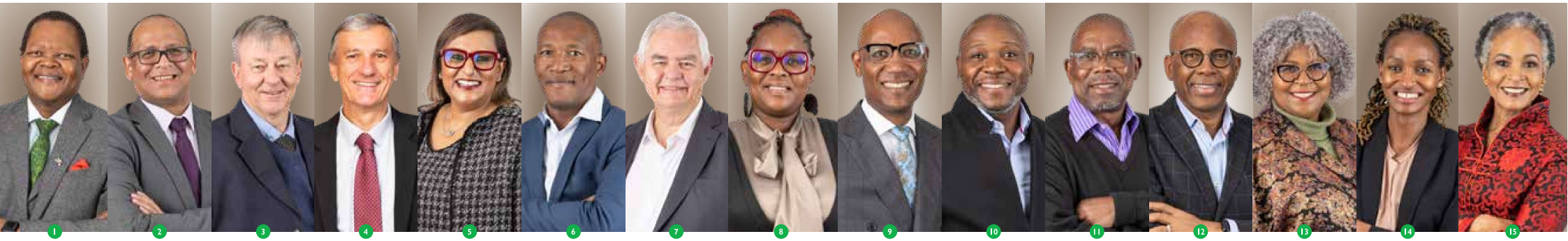
The supply and demand of electricity is depicted below.

Source, GWh	2023	2022	2021
Coal-fired stations	**171 131**	184 568	183 553
Nuclear power	**9 803**	12 355	9 903
Pumped storage stations	**4 081**	4 743	4 795
Hydro stations	**3 060**	1 943	1 387
Open-cycle gas turbines (OCGTs)	**3 018**	1 826	1 457
Wind	**214**	253	305
Eskom generation	**191 307**	205 688	201 400
Pumping by pumped storage stations	**(5 504)**	(6 434)	(6 625)
Net sent out by Eskom	**185 803**	199 254	194 775
Independent power producers (IPPs)	**17 957**	15 973	13 526
Imports	**8 654**	8 500	8 812
Wheeling[1]	**2 904**	2 499	2 310
Energy available for distribution	**215 318**	226 226	219 423
Technical and other losses[2]	**(23 879)**	(24 811)	(25 078)
Internal use	**(345)**	(516)	(804)
Wheeling[1]	**(2 904)**	(2 499)	(2 310)
Unaccounted[3]	**211**	(119)	621
Local and international sales	**188 401**	198 281	191 852
Additional information			
Loadshedding and load curtailment[4]	**13 476**	1 605	1 034
Percentage of demand not met[4]	**5.91%**	0.71%	0.47%

1. Wheeling refers to the movement of electricity between international customers through Eskom's network, without the power being available to customers on the South African grid.
2. Technical and other losses include energy losses incurred during the transmission and distribution process, together with losses due to electricity theft and errors.
3. The unaccounted figure, which is in essence a balancing figure, arises due to different cut-off dates for recording information relating to sales and production.
4. This is an estimate by the System Operator of the sales lost and demand not met due to loadshedding and load curtailment, based on forecast versus actual demand at a given time. It does not take account of load shifting due to loadshedding patterns.

Board of Directors

AT 31 MARCH 2023



1 Mr Mpho Makwana (52)

Chairman

G

Appointed in October 2022

Previously served as non-executive director of Eskom from 2002 to 2011, including acting as Chairman and CEO

B Admin (Hons) (University of Pretoria)

Postgraduate Diploma in Retail Management (University of Stirling)

2 Mr Calib Cassim (51)

Acting Group Chief Executive

Appointed in July 2017

Served as Group Chief Financial Officer since July 2017. Appointed as acting Group Chief Executive from February 2023

Chartered Accountant (SA)

Master of Business Leadership (Unisa)

3 Mr Martin Buys (65)

Acting Group Chief Financial Officer

Appointed in March 2023

Previously served as General Manager: Financial and Management Reporting. Appointed as acting Group Chief Financial Officer from March 2023

Chartered Accountant (SA)

Master of Business Leadership (Unisa)

M Com Taxation (University of Pretoria)

4 Dr Rod Crompton (70)

Independent non-executive director

A B S

Appointed in January 2018

Experience in energy, chemicals, economic regulation and industrial policy

BA (Hons) (University of KwaZulu-Natal)

Ph D Humanities (University of KwaZulu-Natal)

5 Ms Fathima Gany-Ahmed (47)

Independent non-executive director

A G H S

Appointed in October 2022

Finance professional, registered as a Chartered Accountant (SA)

B Accounting Sciences (Unisa)

B Compt (Hons) (Unisa)

6 Mr Lwazi Goqwana (47)

Independent non-executive director

B I

Appointed in October 2022

Engineer with experience in manufacturing, construction, financial services, logistics, energy and government services

MBA (Milpark Business School)

Pr Eng (Engineering Council of South Africa)

7 Mr Clive Le Roux (71)

Independent non-executive director

B H I S

Appointed in October 2022

Engineer; served as Chief Nuclear Officer and power station manager at Matimba and Koeberg

B Sc Electrical Engineering (cum laude) (University of Witwatersrand)

Advanced Executive Diploma in Leadership (Unisa)

8 Ms Ayanda Mafuleka (43)

Independent non-executive director

A B

Appointed in October 2022

Finance professional, registered as a Chartered Accountant (SA)

B Compt (Hons) (Unisa)

Certificate in Advanced Financial Management (University of Johannesburg)

9 Mr Leslie Mkhabela (50)

Independent non-executive director

A H S

Appointed in October 2022

Legal professional with experience in restructuring of state-owned assets, commercial and administrative law, and dispute resolution

B Juris (University of Limpopo)

LLB (University of Limpopo)

10 Dr Tsakani Mthombeni (43)

Independent non-executive director

B I S

Appointed in October 2022

Engineer with experience in sustainable development, energy management and climate change strategy

M Sc Electrical Engineering (Clarkson University)

Ph D Electrical Engineering (Clarkson University)

11 Mr Bheki Ntshalintshali (69)

Independent non-executive director

G H S

Appointed in October 2022

Former trade unionist; served as general secretary of the Congress of South African Trade Unions (COSATU)

Comparative Industrial Relations (Ruskin College)

Diploma in Industrial Relations (Allenby College)

12 Dr Mteto Nyati (58)

Independent non-executive director

B G H I

Appointed in October 2022

Engineer with experience in information and communication technology (ICT); served as CEO of MTN SA and Altron

B Sc Mechanical Engineering (University of KwaZulu-Natal)

Ph D (Honoris Causa) Information Technology Management (University of Johannesburg)

13 Ms Tryphosa Ramano (51)

Independent non-executive director

B G I

Appointed in October 2022

Finance professional, registered as a Chartered Accountant (SA)

B Com (University of Cape Town)

Postgraduate Diploma in Accounting (University of Cape Town)

14 Dr Busisiwe Vilakazi (39)

Independent non-executive director

A B S

Appointed in October 2022

Engineer with experience in ICT research and innovation, data science and analytics, strategy and digital transformation

MBA (University of Witwatersrand)

Ph D Engineering Science (University of Oxford)

15 Dr Claudelle von Eck (52)

Independent non-executive director

A G H S

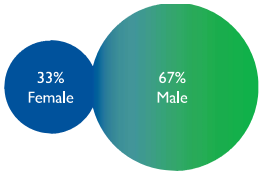
Appointed in October 2022

Organisational development and change management professional; former CEO of the Institute of Internal Auditors of South Africa

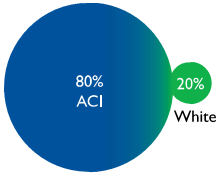
Master of Business Leadership (Unisa)

D Phil Leadership (Change Management) (University of Johannesburg)

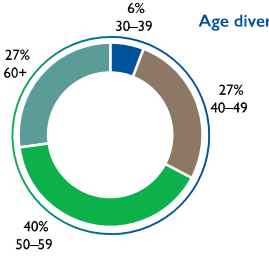
Gender diversity



Racial diversity



Age diversity



Membership of Board committees

- Denotes chair of a committee
- A Audit and Risk Committee
- B Business Operations Performance Committee
- G Governance and Strategy Committee
- H Human Capital and Remuneration Committee
- I Investment and Finance Committee
- S Social, Ethics and Sustainability Committee

Mr Mpho Makwana will step down as Chairman of the Board at the end of October 2023, having served one year in the position. Thereafter, Dr Mteto Nyati will take over.

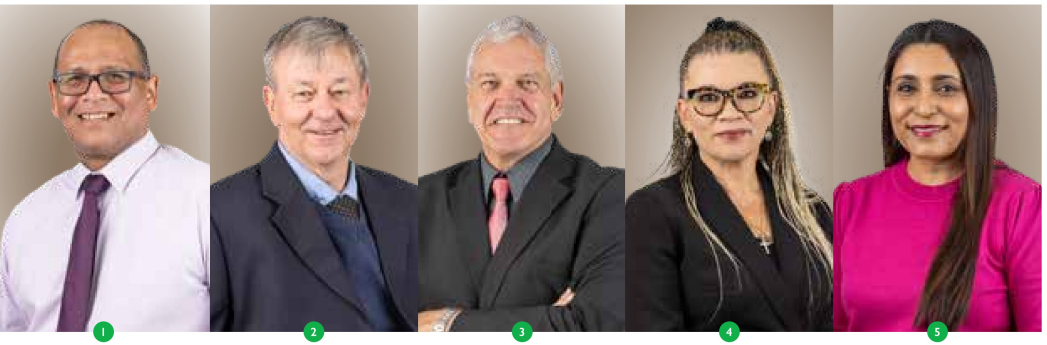
Mr Martin Buys was appointed as an executive director, in the position of acting Group Chief Financial Officer, on 21 March 2023.

Ages are shown at 31 March 2023.

IR Qualifications listed are not exhaustive. Refer to pages 152 to 154 for full details of directors' qualifications and active directorships, as well as meeting attendance for the year ended 31 March 2023

Executive Management Committee

AT 31 MARCH 2023



1 Mr Calib Cassim (51)

Acting Group Chief Executive

Appointed to Exco in July 2017
21 years in Eskom

Chartered Accountant (SA)

Master of Business Leadership (Unisa)

2 Mr Martin Buys (65)

Acting Group Chief Financial Officer

Appointed to Exco in March 2023
36 years in Eskom

Chartered Accountant (SA)

Master of Business Leadership (Unisa)

M Com Taxation (University of Pretoria)

3 Mr Jan Oberholzer (64)

Group Chief Operating Officer

Appointed to Exco in July 2018
30 years in Eskom (including from 1983 to 2008)

B Sc Electrical Engineering (University of Pretoria)

Master of Business Leadership (Unisa)

Executive Program (University of Michigan)

4 Ms Faith Burn (54)

Chief Information Officer

Appointed to Exco in May 2020
2 years in Eskom

M Sc Mathematics (University of Johannesburg)

Master of Business Leadership (Unisa)

5 Ms Mel Govender (41)

Group Executive: Legal and Compliance

Appointed to Exco in October 2021
1 year in Eskom

LLB (University of KwaZulu-Natal)

6 Ms Nthato Minyuku (44)

Group Executive: Government and Regulatory Affairs

Appointed to Exco in October 2020
2 years in Eskom

B Architectural Studies (University of Witwatersrand)

Master of City Planning and Urban Design (University of Cape Town)

7 Ms Elsie Pule (55)

Group Executive: Human Resources

Appointed to Exco in November 2014
25 years in Eskom

BA (Hons) Psychology (University of Pretoria)

M Sc Business Engineering (Warwick University)

8 Ms Jainthree Sankar (51)

Chief Procurement Officer

Appointed to Exco in March 2021
29 years in Eskom

B Com (Hons) Business (Unisa)

MBA Sustainable Business (University of Southern Queensland)

Master of Project Management (University of Southern Queensland)

9 Mr Vuyolwethu Tuku (47)

Group Executive: Transformation Management Office

Appointed to Exco in July 2020
2 years in Eskom

B Sc Electrical Engineering (University of Cape Town)

MBA (University of Witwatersrand)

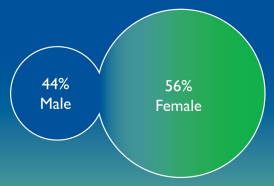
Ms Nthato Minyuku and Ms Mel Govender resigned in April 2023, with exit dates of 30 April and 30 June 2023 respectively. Ms Natasha Sithole and Ms Winile Madonsela are acting in the respective positions while the recruitment processes are under way.

Mr Jan Oberholzer's term came to an end on 30 April 2023 when he reached retirement age. The Group Chief Operating Officer position was removed from the organisational structure thereafter.

Ages are shown at 31 March 2023.

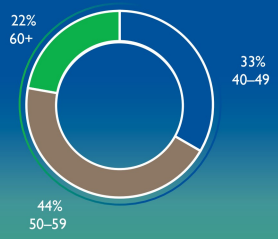
IR Qualifications listed are not exhaustive. Refer to pages 154 to 155 for full details of Exco members' qualifications and active directorships, as well as meeting attendance for the year ended 31 March 2023

Gender diversity

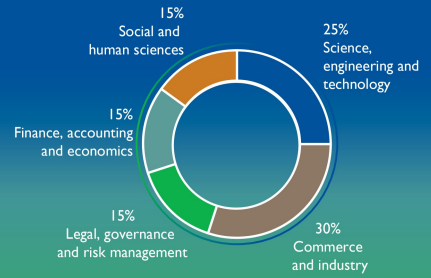


Racial diversity

Age diversity



Skills and expertise



Leadership reports

19 Message from the Chairman
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Message from the Chairman

South Africa is a gateway to more than 250 million people in the southern African region. As such, a stable Eskom and a stable electricity grid is not only important to the people of South Africa, but to southern Africa as a whole. As we know, almost everything we do today requires electricity at some point or another, making it indispensable for progress in today's world.

I referred last year to the state of permacrisis that pervaded Eskom when the new Board took over in October 2022. At the time, the Board's top priorities were to put an end to the unprecedented levels of loadshedding to reduce the strain on the economy, and to reduce Eskom's drain on the fiscus. In doing so, we strived to be an engaged board that seeks to build a high-performance ethical culture based on sound corporate governance.

The new Board took office during an exceptionally difficult time in Eskom's 100-year history. Consequently, we've had to get operationally closer to certain key issues, for instance, we constituted the Business Operations Performance Committee to provide oversight of Eskom's operations, specifically, monitoring performance against energy availability factor (EAF) targets. As satisfactory improvement is demonstrated, the Board will step back from "governance unusual" to more classical governance granting more space for responsive managerial performance.

TOWARDS A MORE RESILIENT AND RESPONSIVE ESKOM

Eskom, like many other utilities, must navigate the competing demands associated with the energy trilemma, that is, energy security, energy equity both through access and affordability, and energy sustainability. Eskom's 2035 strategy aims to find the optimal balance between prioritising operational, financial and structural recovery from the challenges that are threatening the entity's sustainability, and to respond effectively to the global and local transformation shaping the electricity sector.

Eskom's turnaround plan focuses on recovering operations, improving income statement performance, strengthening the balance sheet, driving legal separation of the three licensed businesses, and transforming our people and culture to succeed in a rapidly evolving electricity supply industry. The industry is being shaped by deregulation, rapidly maturing low-carbon technology options, increasing levels of non-traditional competition, digitalisation and the need for leveraging infrastructure as a basis for transitioning sustainably to net zero emissions by 2050.

Eskom also needs to prepare for the inevitable transition in the medium to long term by making investments along the value chain, in line with government policy. To this end, we need to remember that Eskom is not a policymaker, but a utility and a state-owned company that must implement government policy and priorities.

In the transition from ageing coal-fired stations, there are opportunities to preserve jobs and optimise existing grid capacity. Eskom is pursuing these opportunities through repurposing and repowering plans, and is aiming to facilitate more capacity coming onto the grid through its land lease initiative. This transition must always balance the best interests of the nation's Just Energy aspirations with the realities of the economy and the electricity supply chain. The independent transmission company which is soon to be operationalised will also facilitate trade and investment into a transformed electricity market and value chain. The National Energy Crisis Committee (NECOM) is working through its structures to deliver additional capacity of 21GW to the grid by 2026; the grid connection rules have been updated to ensure that additional generating capacity is connected as quickly as possible.

In the short term, the focus is on improving operations so that Eskom finds a way out of being a drain on the fiscus and on the economy, both through its need for Government support and the impact of unprecedented levels of loadshedding on the economy and the livelihood of all South Africans. We must remember that we are not alone – energy crises are a growing global phenomenon. Emerging successfully out of our crisis must also leverage valuable lessons learnt elsewhere in the world. While loadshedding has become commonplace in some regions, countries worldwide are struggling with electricity supply, and South Africa is not the only country that has to implement loadshedding to protect the grid.

The new Board has actively engaged the management team for alignment on a set of priorities that will not only contribute to the efforts of NECOM to resolve the electricity crisis, but also ensure that it puts Eskom on a path towards a sustainable and transitioned utility. With the support of the relevant government departments and agencies to unlock bottlenecks, Eskom is expending every effort to improve plant performance and facilitate additional generation capacity. Through several programmes and initiatives, Eskom, in collaboration with Government, is facilitating the increased participation by the private sector in the provision of new capacity.

Message from the Chairman *continued*

The Generation recovery plan was refocused with a stronger emphasis on EAF recovery, with the aim of improving performance at six priority stations that would provide the biggest benefit to the system as they contribute more than 50% of the unplanned load losses, together with sustaining performance at well-performing stations. Planned work includes capacity recovery projects and critical projects to sustain performance.

To influence the electricity demand profiles of customers for the benefit of local, regional and national power system needs, the energy efficiency demand-side management programme has been reactivated and the demand response programme is being expanded to include mid-segment customers and residential smart metering. The biggest contribution that customers can make is to use electricity wisely, especially during the constrained morning and evening peak times.

Eskom will work with the Minister of Electricity, leveraging the NECOM structures, to ensure that the Energy Action Plan is implemented expeditiously in collaboration with all key stakeholders.

Considering the situation one year after the new Board was appointed, the Eskom ship is slightly more stable than we found it. The lights are on more than before, with some days entirely without loadshedding. That said, our recovery efforts have not fully yielded the desired outcomes, owing to the extensive work that needs to be done against the backdrop of a vulnerable and unreliable power system. We are heartened that the Generation recovery plan is showing green shoots, and I believe there is hope.

FINANCIAL CONSIDERATIONS

As our acting CFO points out, operating challenges during the 2023 financial year continued to hamper Eskom's financial performance, with the most significant contributor to the worsening net loss coming from the effects of generation supply constraints, both through increased costs and revenue lost through loadshedding.

On the other hand, the debt relief announced by Government towards the end of the financial year will go some way towards improving Eskom's financial sustainability, with Government pledging to provide relief of R254 billion towards Eskom's debt servicing costs over the debt relief period, although this comes with strict conditions.

Credit ratings remain at sub-investment grade level, with investors raising concerns around Eskom's high debt burden and arrear municipal debt, operational challenges and loadshedding, as well as lack of long-term certainty around electricity tariffs. Successful implementation of the turnaround plan and maintaining a positive outlook for the South African economy remain critical to improve credit ratings. The announcement of the debt relief has had a significant positive impact on Eskom's ratings.

BUILDING A HIGH-PERFORMANCE ETHICAL CULTURE

Culture eats corporate strategy for breakfast – the success of Eskom's turnaround plan rests on the ability to mobilise and rally Eskom Guardians behind the recovery of operational performance. This involves looking after our people and implementing a high-performance ethical culture to improve employee morale, through deploying appropriate reward and retention strategies to ensure that pockets of excellence are retained, and that underperformance can be dealt with. In short, we need accountable leadership driving the entrenchment of Eskom's values for the ultimate betterment of the organisation.

It is important to acknowledge that Eskom's poor performance has created a trust deficit within the country. To overcome this deficit, the Board, through the Social, Ethics and Sustainability Committee, is redoubling efforts to restore the integrity of Eskom, both internally and externally. Adherence to Eskom's Code of Ethics, known as the "The Way", is defined by Eskom's six core values – Zero Harm, integrity, innovation, sinobuntu, customer satisfaction and excellence. In building a values-driven, high-performance culture, "The Way" ensures that Guardians not only do things right, but also do the right things.

Furthermore, to turn around the organisation successfully, we must deal proactively and effectively with fraud, corruption and the criminal elements that have infected the organisation. There must be zero tolerance for fraud and corruption, and the legacy of state capture must be dealt with, to rebuild trust and confidence in Eskom.

LOOKING AHEAD

Eskom's challenges require systemic solutions. The shareholder has created an environment that will enable the effective execution of the President's Energy Action Plan. To do this, we also require a passionate and engaged workforce. The Board has identified a number of challenges, such as low staff morale; lack of skills in some critical areas; leadership quality and instability; lack of trust; operating in a climate of fear; crisis fatigue and burnout; and are working on initiatives to address these.

Ensuring leadership stability is critical to Eskom's ongoing recovery and success. Key to this is the appointment of a permanent Group Chief Executive and filling other executive vacancies. Regarding the recruitment of the GCE, we are working in constant partnership with the shareholder. We have resubmitted a list of candidates for the shareholder's consideration, in line with the requirements of the company's MOI. We are confident that the process can be concluded by the end of the year. The intention is that Mr Calib Cassim returns to his role as CFO once a permanent GCE is appointed, and we are in discussions to renew his contract which comes to an end in December 2023. This will be done in consultation with the shareholder.

Besides focusing on the immediate priorities of turning around Generation's performance, Eskom is moving ahead with the separation into three legal entities in a transformed energy market. Beyond that, the focus has to be on future-proofing Eskom and responding to the very real threat of climate change, through the Just Energy Transition. Potential opportunities for public-private partnerships are being explored to fund JET initiatives, subject to the conditions of the debt relief and with the support of National Treasury. The Komati repurposing and repowering project is but the first step in this plan.

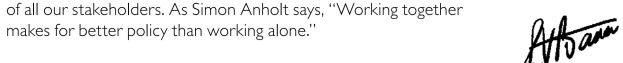
CONCLUSION

Given Eskom's importance to the country and the region, we must turn Eskom around to restore South Africa as a "good country" that successfully contributes to the good of humanity. With South Africa ranking only 44th out of 169 countries in the latest Good Country Index – doing particularly poorly in our contribution to planet and climate – we certainly have our work cut out for us. In order to do better, we require the collaboration of all our stakeholders. As Simon Anholt says, "Working together makes for better policy than working alone."

I am privileged to have served as Chairman of Eskom for a second time, especially at this challenging time for our country. My sense of duty has always propelled me to make a positive contribution, no matter how small. I thank the Honourable Minister Gordhan for the positive, amicable manner in which we concluded my tenure, thereby ensuring a seamless transition to my successor, Dr Mteto Nyati. As a Board, we are also grateful to the Minister and to the broader government leadership for their faith in us. We are further grateful for the Minister's guidance in holding us accountable, to ensure good governance and ethical leadership, and judicious execution of Eskom's mandate.

I have run my leg of the race as best as was possible, and I hand over the baton to Dr Nyati, to run his fair share of this complex race. I am confident that he, together with the collective leadership of the Board, will ensure continuous stability and improvement in the public trust in Eskom; the gains made so far provide fertile ground for sustaining improvement and enduring on the journey to success. I have confidence in the Eskom Guardians to continue working together as a winning team – just like our indomitable Springboks – to stabilise the entity and turn the tide towards 70% plant availability by March 2025, for the ultimate good of the country and its citizens.

The ultimate asset and building block lie in the motto of our country as inscribed in our national coat of arms: *!ke e: /xarra //ke* – our power lies in harnessing all the diversity of thought, capability and leadership of our nation. Working together we shall overcome! Onwards, forward – Eskom, South Africa!



Mpho Makwana
Chairman

Chief Executive's review

What stood out about the past year?

Without a doubt, 2023 was one of the toughest years we've ever experienced. It's a great pity that Eskom's centenary year has been totally overshadowed by the poor performance of our generation fleet, with all the challenges – both operational and financial – that this brings.

Our generation plant performance dropped to even lower levels than the previous year, and loadshedding intensified even further, with 34 days of stage 6 loadshedding, almost unheard of before this, except for one day in December 2019 when stage 6 was implemented for the first time. However, we have to remember that loadshedding is required to protect the power system given the constrained generating environment. Higher stages of loadshedding also don't mean that we're approaching a blackout – that is exactly what loadshedding is intended to avoid.

The unprotected and unlawful strike action we saw in June and July 2022 after wage negotiations deadlocked had a devastating impact on the system, with widespread disruption of our operations due to high levels of staff absenteeism, leading to unheard-of levels of unplanned losses, caused by either deliberate sabotage or just neglect of plant due to employees staying away, exacerbated by disruption of coal handling operations. Some areas of plant still have not fully recovered from the effects of the strike action. On the positive side, a great many of our Eskom Guardians chose not to participate in the strike action, but worked tirelessly to keep the lights on – we owe them a debt of gratitude for their unfailing commitment to this country.

The poor plant performance continues to have a significant impact on financial performance – both in the form of diesel burnt to sustain supply, and also sales lost through loadshedding. Other factors which negatively impact financial performance are the lack of cost-reflective tariffs – although we have seen some progress in that regard – as well as the escalating arrear municipal debt and unsustainable debt levels. We are grateful to National Treasury for the progress in dealing with our debt burden and municipal debt. The acting CFO covers all matters related to financial performance in his report.

As we've said before, we have to balance sufficient levels of liquidity and spend to improve generation plant performance, and also the use of diesel turbines to limit the level of loadshedding given the poor generation plant performance. Furthermore, we must invest in our plant to ensure environmental compliance.

Despite all the negatives, many areas of the business continued to perform well. We delivered Kusile Unit 4 in May 2022, although that achievement was overshadowed by the collapse of the flue stack in October 2022, which took Kusile Units 1, 2 and 3 out of service for almost a year. Together with Medupi Unit 4, which remains out of service until the second quarter of the 2025 financial year due to a generator explosion, the combined unavailability contributes around three stages of loadshedding. Kusile Unit 5 also experienced a gas air heater fire in September 2022, which has delayed the delivery of that unit to the system by about a year. If you add the Koeberg Unit 1 extended planned outage, it means that over 4 500MW has been offline for an extended period, further adding to the constrained system and resulting in either higher levels of loadshedding being required or significantly higher spend on OCGTs.

Our turnaround plan continues to focus on operations recovery; financial recovery, which covers improving the income statement and strengthening the balance sheet; people, culture and ethics; and driving legal separation. The aim is to position Eskom to deliver value within the broader national efforts to drive reform in the electricity supply industry.

Can you expand on the operational performance over the past year?

As I've said, one of the stand-out features of the 2023 financial year was the dismal performance of the generation fleet. Plant unavailability in excess of 30%, coupled with a shortfall in supply by IPPs, resulted in severe capacity constraints, leading to 280 days of loadshedding during the year – that amounts to about five days per week for the entire year. The capacity constraints limited sales to local customers as well as exports to neighbouring countries, negatively impacting potential revenue growth. Cross-border imports, mainly from Cahora Bassa, assisted in supplementing capacity.

In the past year, we saw the lowest levels of plant availability, with EAF dropping to 56.03% for the entire year, and even below 50% during March 2023. We also had the highest unplanned unavailability, and the longest continuous loadshedding at the highest stages that the country has ever suffered.

To mitigate against higher levels of loadshedding, OCGTs had to be utilised frequently to support the power system, resulting in the highest OCGT usage we've ever experienced. We spent almost R30 billion on Eskom-owned and IPP OCGTs during the year, at load factors of 14.3% and 12.5% respectively, far in excess of our planning assumptions. We also experienced high coal demand from more expensive power stations due to generation performance challenges. This all comes at great financial cost, which simply is not sustainable.

Towards the end of the year, the Generation recovery plan was refocused with a stronger focus on EAF recovery, with the focus on six priority stations that would provide the biggest benefit to the system by improving their EAF as they contribute more than 50% of the unplanned load losses: Duvha, Kendal, Kusile, Majuba, Matla and Tutuka. Work includes capacity recovery projects and critical projects to sustain performance.

Liquidity constraints continued to hamper the execution of capital projects and outages, with outage readiness impacted most. Funding constraints contributed to the full outage programme not being executed, with some outages deferred to the next financial year. However, funding has been made available in the 2024 financial year, and we should see this improving with the expected improvement in liquidity due to Government's debt relief.

At Koeberg Unit 1, the steam generator replacement and scope to enable long-term operation is being executed, which is critical to allow Koeberg to operate for a further 20 years to 2044. However, the slip of almost five months on this outage is great cause for concern, especially as it has a knock-on effect on the planned outage of Unit 2, which is meant to commence almost immediately after Unit 1 returns to service. The outage on a single unit accounts for almost one stage of loadshedding, at a time that we can ill afford it.

Other than the delays to outages, our Koeberg plant continues to perform well, within all safety parameters.

Initially, relative particulate emissions performance improved since the prior year due to focused maintenance of generating plant. However, performance then declined drastically, to the worst levels since 1995. The biggest contributor to the poor performance is Kendal, with further damage suffered during the strike action last year. Furthermore, as system constraints increased – limiting our ability to do maintenance to address emissions challenges – performance has not shown a turnaround.

Nevertheless, Eskom's total CO_2 emissions declined by 9.5% from 2022 in line with the decline in EAF, dipping to below 200Mt for the year for the first time since 2004, after peaking around 233Mt in 2014. This bodes well for the country's progress against the climate commitments made in terms of the Paris Agreement.

Although water performance met the target for the year, poor water management practices across the fleet persist, negatively impacting overall water performance. We recognise that in a water-scarce country, we need to do more to protect this precious resource. Regrettably, the poor performance of the system often prohibits taking plant out of service to attend to many of the challenges causing the poor performance.

Transmission system minutes performance declined significantly, with an abnormal number of interruptions due to various factors. The number of interruption of supply incidents increased, partly due to switchgear failures brought on by loadshedding. Distribution network performance remained stable and continued to perform better than target on all measures, although distribution infrastructure was also affected by consequential faults related to national loadshedding and overload trips.

Despite the relatively good performance, we acknowledge the effect of the underinvestment in our networks, and the constraints that imposes on connecting new IPP capacity. Grid connection capacity in the Northern Cape, Eastern Cape and Western Cape has been depleted. Grid capacity constraints limited the capacity procured under bid window 6 of the RE-IPP Programme to 1 000MW, much lower than the target of 2 600MW.

Transmission is increasing the asset renewal investment progressively over a five-year period to the required sustainability level to mitigate the risk of equipment failures. Significant investment in the distribution grid is required to sustain and improve network performance going forward.

The impact of theft and vandalism on both our transmission and distribution networks is also becoming more apparent. Responding to these incidents diverts resources from attending to normal faults, impacting service levels to customers. Additionally, energy losses due to a culture of non-payment, illegal connections, theft and vending fraud remain unacceptably high.

Kusile Unit 4 achieved commercial operation on 31 May 2022, although as expected – and similar to other new build units – it is not yet operating consistently at full capacity. Interventions, which include the new build defects correction process, is in place to optimise performance. Construction and commissioning activities on Kusile Units 5 and 6 continue, despite the setback suffered as a result of the gas air heater fire at Unit 5. At Medupi, the focus remains on completing the remaining scope on the balance of plant work, executing major plant defect repairs and resolving claims towards project close-out by December 2025.

The rollout of the major boiler plant defects solutions at Medupi and Kusile that require unit outages has been completed, leading to a significant increase in performance (until the failure of the Kusile flue gas duct).

We are making progress on our battery energy storage project, with construction on three of the packages expected to be completed during the coming year. However, phase 2 of the project has been put in abeyance due to the suspension of funding for new capital projects as part of Government's debt relief conditions.

Tell us more about the people, culture and ethics area of the turnaround plan

Through this focus area, we aim to prepare the organisation for change, in support of the overarching goal of three legally separated subsidiaries under Eskom Holdings, in line with DPE's Roadmap.

In the previous year, we launched our culture transformation programme, refocused on our values, as a key enabler of the turnaround plan. We have made progress embedding the culture transformation in the business. Given our aspirations towards a high-performance ethical culture, the strike action we saw last year was truly disappointing. However, I am pleased by the peaceful way in which the recent round of wage negotiations was concluded. This is the first time in more than a decade that we have reached an agreement during the collective bargaining process, which is testament to the strengthening of partnerships with Eskom's trade unions. The fact that this was done without disruption to the system during the critical winter period, as it had been last year, is worth the

Chief Executive's review *continued*

slightly higher settlement than we had planned for. The three-year agreement reached will also bring stability.

Our headcount has reduced by another 2% since the previous year, with a total of 7 064 employees exiting the group since 2019. Despite the 7% cost-of-living adjustment granted to employees during the 2023 financial year, employee benefit costs reduced slightly year-on-year, given the headcount reduction. We have optimised our workforce plan to accommodate an increase in headcount over the next five years, based on benchmarking and to capacitate Eskom towards a future-fit organisation in support of the legal separation, the implementation of clean energy technology and the Just Energy Transition.

We are deeply saddened by the loss of one employee and three contractors in service to Eskom over the past year. We cannot tolerate a single life lost, and we continue to reinforce a culture of Zero Harm to keep our employees, contractors and the public safe. Our lost-time injury rate has been deteriorating slightly over the past few years, and we remain focused on those areas with the biggest contribution to our safety performance.

Are you concerned about fraud and corruption?

To be honest, other than the performance of the system, it's the one thing giving me sleepless nights. In our bid towards a high-performance ethical culture, we simply must root out the ongoing scourge of fraud, crime and corruption, as well as poor performance and other unacceptable behaviour in general. We prioritise the protection of employees who participate in the fight against corruption.

Since our last integrated report was released, we have unfortunately not made much headway in dealing with fraud and corruption, largely due to the various operational challenges we've had to address, with the main focus on improving the performance of the generating plant and ensuring that we maintain an adequate supply of electricity to our customers. As the former GCE indicated last year, we must realise that it will take time for efforts to improve internal controls across the organisation. Our efforts are also somewhat fragmented, further hampering consequence management, although our plans to establish a single investigative unit to coordinate all investigative matters should go some way towards streamlining our efforts. We remain disappointed with the slow progress by law enforcement agencies in dealing with matters involving fraud and corruption, although we have seen some notable successes recently.

We are resolute in pursuing those who have enriched themselves at the expense of our organisation and South Africa. We are ensuring that we have a robust framework in place for zero tolerance to fraud and corruption, and we're strengthening the support for whistle-blowers. We continue to collaborate with law enforcement agencies to ensure that perpetrators are brought to account.

Is Eskom making progress on the legal separation?

We are still fully committed to DPE's Roadmap to transform the electricity supply industry, by implementing business separation and forming separate wholly-owned subsidiaries to house the Generation, Transmission and Distribution businesses. However, several external dependencies have hampered progress.

On the Transmission side, the delays relate to obtaining lender consent, the appointment of independent non-executive directors for the National Transmission Company South Africa (NTCSA), the granting of trading licences by NERSA, and DMRE designating NTCSA as buyer of electricity. We have completed all lender engagements and submitted the required documentation; now we await approval from the various lenders, which is dependent on their internal processes. The Board has submitted a list of candidates for directors for DPE's consideration, and we await their response. Although not issued, the award of the three licences by NERSA is a step in the right direction, and we are hopeful that NTCSA will commence trade by April 2024.

The Distribution progress is being similarly delayed, as we also require lender consent. The granting of distribution licences by NERSA is also dependent on the issuance of the transmission licences. However, we have recently received PFMA approval by DPE of the operationalisation of the National Electricity Distribution Company South Africa (NEDCSA). The Electricity Regulation Act has to be amended to cater for the separation of the Distribution activities. We expect that NEDCSA will be able to commence trade by November 2025.

The separation of Generation will be the last to be achieved, and is expected in 2025.

Is an end to the electricity crisis in sight?

As we've been saying for quite some time, Eskom alone cannot solve the electricity crisis. To this end, we welcome the Energy Action Plan launched by President Cyril Ramaphosa in July 2022 to address the electricity crisis.

The plan centres on five key areas:

- Fixing Eskom and improving the availability of existing supply, with adequate capital being made available to execute required maintenance on generating plant
- Enabling and accelerating private investment in generation capacity, through initiatives such as our land lease programme as well as 5GW of supply from private sector projects which is expected to come online by 2025
- Accelerating the delivery of new generation capacity
- Enabling business and household investment in rooftop solar, partly through tax incentives and guarantees for solar loans
- Fundamentally transforming the electricity sector

We will work with the Minister of Electricity and NECOM to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders.

We are painfully aware that the poor performance of the unpredictable and unreliable power system is inhibiting economic growth and employment opportunities, with a devastating effect on businesses and the lives of all South Africans. We want to deliver successfully on our mandate to provide a reliable supply of electricity to the country by effectively operating our infrastructure.

Our immediate focus is reducing the intensity and frequency of loadshedding. This will be achieved by improving the availability of the generation fleet through effective implementation of the EAF recovery programme, aimed at reaching an EAF level of 65% in March 2024. This will be delivered through an intensified focus on recovering performance at the six priority stations, while sustaining performance at stations that already deliver reliable performance.

Initiatives are also being implemented to recover and increase available capacity to meet demand. This includes the recovery of around 5 000MW of capacity, both from units that are on long-term outage – 2 100MW from Kusile Units 1, 2 and 3; 920MW from Koeberg; 720MW from Kusile Unit 5 once it is commissioned; 720MW from Medupi Unit 4 by the second quarter of the 2025 financial year – as well as 1 500MW by improving plant performance at designated coal-fired power stations.

We can already see the improvement in the system. At the start of the winter period, there was much talk of us having to implement stage 8 loadshedding during winter, but our generation teams did well to avoid that. Yes, we did see a significant amount of stage 6 loadshedding (more than the entire 2023 financial year), but we did not go beyond that. More recently, we have seen an improvement in unplanned unavailability, to levels more in line with our expectations, with EAF reaching around 60% late in July. Although diesel spend is still unacceptably high, it is in line with expectations, and still driven by the shortfall in supply by renewable and short-term IPPs, as much as by Eskom's own poor generating plant performance. Early in August, we reached a point where no loadshedding was implemented during the daytime, with loadshedding only required during the evening peak and overnight, to support building up emergency reserves. So there is definitely light at the end of the tunnel.

The procurement of additional capacity to enable the execution of outages by creating maintenance space in the constrained system will be a critical enabler. Approximately 2 900MW has been identified that can be connected in the next two years. The rooftop solar PV initiative has the potential to deliver 10GW by 2030. We will also be intensifying our demand-side management interventions to reduce demand.

The Standard Offer and Emergency Generation programmes to procure additional capacity from IPPs have been approved. The first contract for 100MW under the Standard Offer went into operation on 1 May 2023. Under the Emergency Generation programme, contracts have been awarded to five participants, with contract signing expected in the second quarter of the 2024 financial year.

On the transmission and distribution side of the business, we are investing in the necessary infrastructure to increase grid capacity and provide grid stability in the context of increased generation being added to the network. To achieve this, public-private partnerships will be explored to expedite the delivery of 14 000km of new transmission network and 8 000km of new distribution network by 2035.

The ultimate aim of our strategy is to ensure that we supply adequate electricity in a sustainable manner. This means that over and above our interventions to fix the business, we must also enable more private sector investment into the industry. This is needed to meet the growing demand, significantly reduce our financial dependence on Government, and make a positive contribution to South Africa's environmental and socio-economic objectives. In the short to medium term, a greater emphasis will be placed on operational performance improvement and the financial turnaround of the business, underpinned by an intensive people and culture transformation.

What else does Eskom intend focusing on, both now and into the future?

Something which is sorely needed in the short term is the appointment of a permanent Group Chief Executive to bring leadership stability to the organisation. We need to fill a number of vacancies at executive level, as well as invest in depth of leadership, and look at building skills across the organisation.

As part of bringing back capacity, we returned Kusile Units 3 and 1 by October 2023 using temporary stacks, which have been approved by DFFE, with Unit 2 to follow in November 2023. Although the units' output may be lower while utilising the temporary stacks, it will alleviate pressure on the power system. Our Koeberg team is working tirelessly to return Unit 1 to service by November 2023, although we will not really see the impact on the system, as Unit 2 will go on outage shortly thereafter.

Good progress is being made on bringing Kusile Unit 5 online, with first synchronisation to the grid expected by November 2023, and full commercial operation targeted six months later. We also hope to see the synchronisation of Kusile Unit 6 by August 2024, at around the same time as the expected return of Medupi Unit 4 using a secondhand stator.

Even with these improvements, we still require about 4 000MW–6 000MW of base-load capacity on the grid, to ease supply constraints and stabilise the grid, creating the space for much-needed maintenance of Eskom's generating plant.

Despite the focus on improving performance in the short to medium term, we remain committed to our strategy of a Just Energy Transition in the long term to decrease greenhouse gas emissions, promote job creation through reskilling, and stimulate economic growth, thereby focusing on long-term growth and sustainability. However, given the conditions of Government's debt relief solution, we will not be able to execute all projects on-balance sheet and we will have to explore partnership options.

Nevertheless, Government's debt relief will go a long way towards improving financial sustainability and liquidity in the short to medium term, and we are tremendously grateful to National Treasury for finalising the terms so soon after the announcement in the National Budget Speech in February 2023, thereby providing some level of comfort to lenders. We are already working on ensuring compliance with the conditions, to ensure that the support, which will initially come in the form of a subordinated loan, is converted to equity, to realise the full benefit thereof.

What do you want people to focus on?

I need our Guardians to remember that we each hold the future in our hands. Every one of us has the power to make a difference to this great nation. It's not always easy to see the light at the end of the tunnel, but if we keep working together, I know we are going to succeed. We cannot lose faith – we must hold onto HOPE!

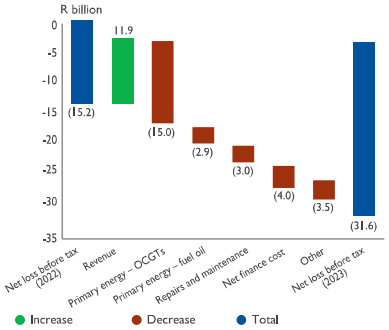
Calib Cassim
Acting Group Chief Executive

Chief Financial Officer's commentary

How would you describe Eskom's financial performance over the past year?

We continue to navigate a very challenging operating environment, plagued by generation capacity shortages and depressed economic conditions. These factors have had a direct impact on Eskom's financial sustainability, requiring us to make difficult trade-offs between liquidity, the utilisation of OCGTs to minimise loadshedding for the benefit of the economy, as well as accommodating spend on our operational recovery and capital expenditure programmes.

Some of the key areas which contributed to the year-on-year worsening of the net loss are:



In fact, generation supply constraints, arising from both poor plant performance and delays in commissioning new IPP capacity, had the most significant impact on financial performance for the year. This impact was twofold: increasing reliance on expensive OCGTs to supplement supply as well as negatively affecting sales volumes through loadshedding and load curtailment.

Primary energy costs grew by 16.6%, with the growth in OCGT expenditure being by far the biggest contributor. This was driven by both an increase in production from Eskom-owned and IPP OCGTs as well as significant fuel price pressure linked to the global macroeconomic environment. Unplanned breakdowns and load losses also resulted in much higher use of fuel oil for combustion support and the start-up of coal-fired units, along with a growth in repairs and maintenance costs to support the Generation recovery plan and address plant performance challenges.

On the positive side, we received a standard tariff increase of 9.61% for the year, directly improving revenue. However, this benefit was partially offset by a 5% reduction in sales volumes due to the supply constraints I mentioned earlier, together with lower electricity demand from customers operating in tough economic conditions. We experienced a decline in sales volumes across every customer segment, although the industrial and mining sectors were less heavily impacted due to the recovery of global commodity markets, leading to higher electricity demand at times from these customers.

A 7% salary adjustment was implemented for the majority of employees during the year, with the exception of top management. This was necessary to support Eskom's operational stability following the protracted dispute with organised labour, which led to industrial action and widespread disruption of our operations during June and July 2022. Despite this, employee benefit costs have remained relatively stable as we were able to contain the salary adjustment to inflationary levels and absorb the increase through savings in other areas, coupled with a reduction in headcount from natural attrition.

Altogether, EBITDA declined to R38 billion (2022: R53 billion) and we recorded a net loss after tax of R23.9 billion for the year (2022: R11.9 billion). Despite the growth in revenue, the cost pressures arising from our poor operational performance and macroeconomic factors led to a weakening of the EBITDA margin to 14.66% (2022: 21.39%).

Liquidity remains one of our biggest short-term challenges, with cash and cash equivalents declining to R7.5 billion at year end (2022: R15.9 billion). Cash generated from operating activities amounted to R41.5 billion, largely in line with EBITDA performance. However, the reality is that operating cash flows are simply inadequate to support our highly leveraged capital structure, before even considering capital expenditure requirements. Total debt servicing requirements – both capital and interest – amounted to R72.2 billion for the year, leaving a significant shortfall which required equity support from Government.

With respect to our capital structure, our gross debt balance increased to R423.9 billion (2022: R396.3 billion), largely due to the weakening of the Rand affecting foreign borrowings. Net finance costs grew by 12% in part due to the growth in the debt balance. We also experienced a higher average cost of borrowings, linked to global inflation and interest rate pressures, coupled with lower capitalisation of interest to the asset base as the new build programme winds down.

Liquidity has been further constrained by SARS disallowing the refund of levies relating to Eskom's diesel use over several years, with a cumulative amount of R7.1 billion due to Eskom at year end. We are pursuing the necessary legal processes to address this dispute. Furthermore, arrear municipal debt has continued to escalate to unsustainably high levels, amounting to R58.5 billion at year end (2022: R44.8 billion).

Altogether, most of our financial ratios deteriorated over the past year. Eskom's standalone long-term financial sustainability remains dependent on the migration towards cost-reflective tariffs, resolving our operating challenges and associated cost pressures, deleveraging the balance sheet and addressing non-payment by certain customers. Positive strides have been made in putting interventions in place to resolve these challenges and strengthen Eskom's financial position over time, through our turnaround plan and with the support of Government.

Tell us more about the turnaround plan and efforts to improve financial sustainability

Our turnaround plan aims to place us on a more sustainable footing by focusing on Eskom's operational and financial recovery. It is important to acknowledge that financial and operational performance are intrinsically linked, as can be seen from our results over the past year. Calib discussed aspects of the operational recovery in his report; I will focus on the main initiatives of our financial recovery.

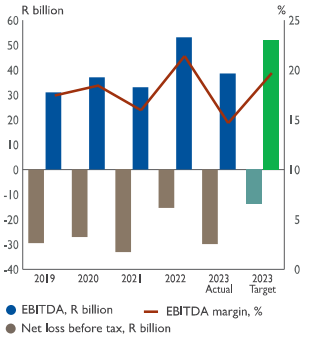
Addressing our debt burden is a key component of our turnaround plan, to ensure the long-term financial sustainability of Eskom. During the year, we received R21.9 billion in equity support from Government through the Special Appropriation Act, 2019, to aid Eskom in meeting its debt servicing obligations. Going forward, this support package has been replaced by the debt relief measures announced recently, which I'll cover in more detail later. Suffice it to say that Government is aware of the financial and operational challenges that we are facing and is committed to providing the necessary financial support to Eskom, subject to certain conditions, while also acknowledging the importance of a cost-reflective tariff path.

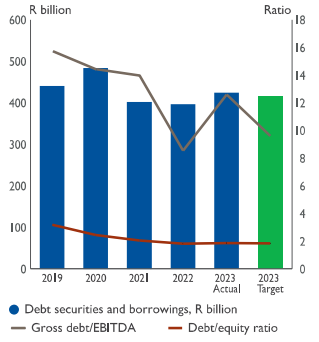
We are also seeking to bridge the gap between our costs and the revenue allowed by NERSA through our turnaround plan.

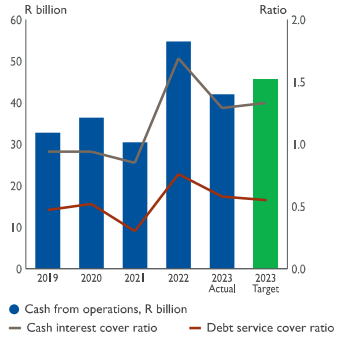
To address costs, Eskom's turnaround savings programme aims to curtail cost growth, improve efficiencies and identify other income opportunities. We achieved combined savings and other income initiatives of R27.8 billion for the year, exceeding our target of R21.4 billion. The majority of these savings came from containing growth in primary energy costs, other than OCGTs, by optimising coal inventory and pricing. However, these initiatives relate mainly to working capital and do not lead to an immediate improvement in profitability. Unfortunately, our savings efforts were hindered in large part by the overspend in OCGTs and fuel oil, which is unlikely to be reined in until we have resolved the poor performance of our coal-fired fleet and South Africa's generation capacity constraints are addressed.

On the revenue side, we are pursuing a migration to cost-reflective tariffs by challenging NERSA's decisions in court. The lack of cost-reflective tariffs and resultant revenue shortfall over the past two decades has been a key contributor to Eskom's poor financial performance and reliance on debt.

As I mentioned earlier, NERSA awarded a standard tariff increase of 9.61% for 2023, being the first year of MYPD 5. We successfully challenged this decision in court, setting aside NERSA's decision on the valuation of the regulatory asset base. Although no retrospective adjustment was granted for 2023, NERSA was required to apply the court order for the remaining two years of MYPD 5. Consequently, NERSA announced its revenue decision for 2024 and 2025, equating to an average standard tariff increase of 18.65% and 12.74% respectively. Although not addressing the lack of cost-reflective tariffs, this decision will help in migrating the tariff path to more appropriate levels and will greatly support our financial sustainability going forward.







Chief Financial Officer's commentary *continued*

Unfortunately, arrear municipal debt has continued to worsen, increasing by 30.6% to R58.5 billion at year end. We have been pursuing various interventions, including negotiating payment arrangements with defaulting municipalities, implementing an active partnering programme to assist municipalities with their service delivery and revenue collection efforts, as well as pursuing Eskom's legal rights through the courts. Despite our best efforts, we have not been able to resolve this challenge on our own. Government has intensified its efforts to address this systemic problem through a municipal debt relief plan, which I will discuss in more detail later.

Finally, we are targeting the disposal of non-core assets through the sale of Eskom Finance Company SOC Ltd as well as various underutilised properties, in line with our real estate strategy. These disposal programmes are under way and remain an area of focus.

What is the financial outlook for the coming year?

We have continued to experience the adverse effects of generation supply constraints on financial performance during the 2024 financial year, mostly due to the reliance on expensive OCGT production. As mentioned earlier, this situation will continue until South Africa's generation capacity shortages are alleviated.

We have set aside R19.7 billion for Eskom OCGTs and R8.8 billion for IPP OCGTs for the 2024 financial year. So far, we're projecting to stay within budget on Eskom OCGTs; whether we will be able to maintain this will depend on fuel prices remaining below budget assumptions as well as the performance of the coal-fired fleet going forward. In the case of IPP OCGTs, we expect to exceed the budget for the year as the Risk Mitigation IPP Procurement Programme (RMIPPPP) has experienced further delays and is not providing the additional capacity we had planned for. Any increase in spend will have to be funded through unutilised budget from the RMIPPPP as well as cost savings in other areas.

As I mentioned earlier, NERSA has awarded an average standard tariff increase of 18.65% for 2024, which will aid in recovering the costs associated with our current operating challenges. We are monitoring developments in the regulatory environment, including NERSA's proposal for the introduction of a new pricing methodology. In addition, the legal processes for a number of court review applications are still under way, which collectively relate to the recovery of around R50 billion in revenue. Regrettably, these legal processes do take time and, given the way that the regulatory process works, any amounts awarded in Eskom's favour can only be recovered through future revenue and RCA decisions from NERSA. This means that Eskom has to carry the shortfall for the time being, which does have adverse implications for our liquidity.

We are tremendously grateful for Government's continued financial support and assistance in deleveraging Eskom's balance sheet. The Eskom Debt Relief Act, 2023 was promulgated in July 2023 and will provide relief of R254 billion towards Eskom's debt servicing costs over the debt relief period. Of this, R78 billion has been committed for the 2024 financial year. The support will initially take the form of a subordinated loan, to be converted to equity once we have demonstrated compliance with the related conditions.

The conditions place strict restrictions on Eskom's capital expenditure and prohibit any new borrowings during the debt relief period, unless written permission is granted by the Minister of Finance. Given the restriction on new borrowings, we faced additional liquidity risk during the first quarter of the 2024 financial year, while awaiting promulgation of the Act and receipt of the first tranche of Government support. To manage this risk, we raised an additional R16 billion in funding at the end of March 2023 with the support of National Treasury, and received the related disbursements in early April 2023.

Out of the R78 billion debt relief to be made available during the 2024 financial year, we received R16 billion in August 2023 and R20 billion in October 2023. A further R8 billion is anticipated to be received during the third quarter, followed by R34 billion in the fourth quarter.

Lenders may be concerned about the impact that these conditions have on existing debt and also on the Just Energy Transition. National Treasury has confirmed that Eskom may continue to draw down on existing facilities in place or committed prior to year end. Any Government guarantees remain in place until the related debt is fully settled. Furthermore, greenfield generation projects may be pursued with written approval from the Minister of Finance. Eskom remains committed to South Africa's Just Energy Transition and is exploring potential opportunities for public-private partnerships to fund JET initiatives, subject to the conditions of the debt relief and with the support of National Treasury.

With respect to arrear municipal debt, National Treasury has published two circulars which detail the application process and related conditions for municipal debt relief for defaulting municipalities. The plan will see a municipality's arrear debt balance at 31 March 2023 being written off over three financial years, subject to its compliance with the conditions. We are working closely with Government in implementing this plan and are finalising the related conditions to stop the growth in arrear debt and address the culture of non-payment. National Treasury has received applications from several defaulting municipalities, with 28 municipalities approved to participate in the municipal debt relief programme so far. Collectively, these municipalities account for R26.7 billion or around 46% of the arrear debt balance outstanding at 31 March 2023.

We are conducting bilateral engagements with lenders regarding the legal separation process and associated timelines. The transfer of the Transmission Division to the National Transmission Company South Africa SOC Ltd is subject to certain suspensive conditions being met, including obtaining applicable lender consents. We will continue to engage transparently with lenders as the legal separation process unfolds.

Despite the many difficulties over the past year, we remain set on our objective to place Eskom on a more sustainable footing going forward, through the turnaround plan and with the support of our stakeholders. Ultimately, this requires resolving Eskom's capital and tariff structures, delivering on our operational recovery and bringing much-needed structural reforms to the electricity industry.

Martin Buys
Acting Group Chief Financial Officer

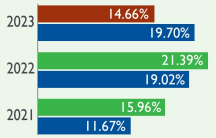
Our group performance

Our shareholder outlines the strategic objectives for Eskom in the Strategic Intent Statement. KPIs are aligned to DPE's strategic objectives and the key focus areas of our turnaround plan, with performance across our top 10 KPIs for 2023 set out below.

FINANCIAL PERFORMANCE

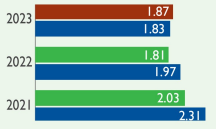
Improve our income statement and strengthen our balance sheet

EBITDA margin, %
14.66▼
(2022: 21.39)
Improve our margins on EBITDA through revenue certainty, cost optimisation and efficiency



Debt service cover ratio
0.58▼
(2022: 0.76)
Improve our ability to meet our debt obligations through sufficient operating cash flows

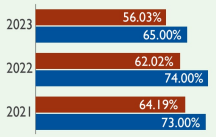
Debt equity ratio
1.87▼
(2022: 1.81)
Strengthen our balance sheet and limit growth in debt securities and borrowings



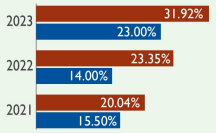
GENERATION OPERATIONS

Improve reliability of generation fleet and reduce loadshedding

EAF, %
56.03▼
(2022: 62.02)
Improve the energy availability factor (EAF), which is the ratio of available energy over nominal energy



UCLF, %
31.92▼
(2022: 25.35)
Reduce the incidence of unplanned outages to improve system availability



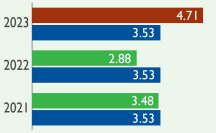
TURNAROUND OBJECTIVES

- Operations recovery
- Financial recovery
- People, culture and ethics
- Legal separation

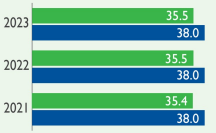
NETWORK PERFORMANCE

Refurbish our transmission and distribution networks

System minutes lost
4.71▼
(2022: 2.88)
Reduce system minutes lost due to interruptions



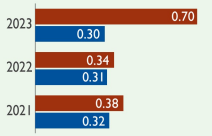
SAIDI, hours
35.5●
(2022: 35.5)
Reduce the average interruption duration experienced by customers



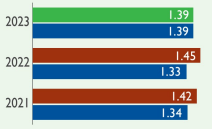
ENVIRONMENTAL IMPACT

Improve environmental performance

Particulate emissions, kg/MWhSO
0.70▼
(2022: 0.34)
Reduce the mass of particulates (ash) emitted from Eskom's coal-fired power stations, per unit of energy sent out



Specific water consumption, ℓ/kWhSO
1.39▲
(2022: 1.45)
Reduce the amount of water consumed by Eskom's power stations, per unit of energy sent out



HEALTH AND SAFETY

Support a culture of Zero Harm

LTIR
0.26▼
(2022: 0.24)
Reduce the employee lost-time injury rate (LTIR) for the group (including occupational diseases)

Graph legend	Year-on-year performance
● Target	▲ Performance improved
● Actual (target met)	● Performance stable
● Actual (target not met)	▼ Performance declined

OTHER METRICS

Above are some of the KPIs used to measure our overall performance. We also make use of a number of other metrics to monitor performance across our business, which are highlighted throughout the report and in the supplementary information from page 158.

Our strategic context

31 Considering material matters
33 Operating context
38 Our strategy and turnaround plan
46 Integrating risk and resilience
53 Engaging with stakeholders

Considering material matters

Material matters encompass the high-likelihood, high-consequence factors that have a significant influence on our ability to create, preserve or erode enterprise value over the short, medium and long term. Our evaluation includes both positive and negative matters, considering their impact on the six capitals as well as alignment with our turnaround objectives. By focusing on these material matters, we ensure that our strategic decisions, resource allocation and efforts are directed towards addressing the most critical factors that contribute to our long-term sustainability and value creation.

The materiality determination process filters matters based on their relative importance. It starts with the previous year's material matters, and then considers:

- Changes in our operating environment
- Matters considered by the Board and its committees
- Issues raised by stakeholders
- Outcomes of our risk management process
- Significant events over the past year

As a result of this process, we have identified the following material matters, which, if not managed properly, will negatively affect our ability to create and preserve value.

Item	Material matter	Description	Related turnaround objective
M1	Liquidity and going concern in the short to medium term, and ultimately, financial sustainability over the long term	Our ability to maintain financial viability and meet our obligations in the future. It encompasses all elements of financial performance, such as revenue generation, cost management, and long-term financial planning. It further considers the availability of sufficient cash and resources to meet short- to medium-term obligations and ensure our ability to continue operating as a going concern. It relies to some extent on funding activities, and other challenges such as payment of arrear municipal debt	
M2	Government support and debt structure	The extent of Government support and assistance to Eskom, including the management of our debt structure to ensure financial stability and sustainability, together with support to recover arrear municipal debt. It also covers funding raised, as well as debt servicing into the future	
M3	Improving operational stability to lessen the electricity crisis	Efforts to enhance the stability and reliability of our operations to mitigate the electricity crisis, ensuring a consistent and secure supply of electricity to meet the needs of consumers and industries. It covers our generation plant and network performance, as well as ensuring sufficient generation capacity through the new build programme and IPPs, and also considers primary energy security. The increased supply of electricity would have a positive impact on financial performance, through additional revenue generated. Operational stability further relies on sufficient liquidity to plan and execute work effectively	
M4	Environmental performance and compliance	Adherence to environmental regulations coupled with efforts to minimise our environmental impact through sustainable practices, emission reduction and renewable energy initiatives	
M5	Climate change and Eskom's Just Energy Transition	Strategies and actions in response to climate change, including the transition to cleaner energy sources, reducing carbon emissions and promoting a sustainable and equitable energy transition aligned to the goals of the Just Energy Transition	
M6	Leadership quality and stability	Ensuring consistent and effective leadership within Eskom to provide strategic direction, decision-making, and stability, which is crucial for addressing challenges, implementing reforms, and driving organisational performance	

Considering material matters *continued*

Item	Material matter	Description	Related turnaround objective
M7	Adequate skills in a high-performance ethical culture	Fostering a work culture that promotes high performance, ethics, and integrity while ensuring that Eskom has the necessary skilled workforce to effectively manage operations, drive innovation, and address future challenges	
M8	Fight against fraud, corruption and crime	In order to turn around the organisation successfully, we have to deal proactively and effectively with fraud, corruption and the criminal elements that have infected the organisation	
M9	Governance, compliance and ethics	Upholding strong corporate governance practices and ensuring compliance with relevant laws, regulations and standards to promote transparency, accountability and ethical conduct within Eskom's operations	
M10	Progress on legal separation	Advancement of the legal separation of Transmission, Distribution and Generation based on DPE's Roadmap, which involves the separation of our operations into separate subsidiaries to enhance operational efficiency, transparency and accountability	

Operating context

WHAT THE WORLD EXPECTS …

Globally, there has been a move by stakeholders, most notably investors, towards assessing the sustainability and ethical impact of an organisation by assessing how it approaches environmental, social and governance (ESG) matters. This acceleration has been driven by heightened social, governmental and consumer attention to the broader impact of corporations, as well as by investors and executives who realise that a strong ESG proposition can safeguard the long-term success of a company. ESG investors seek to ensure that the companies they fund are responsible stewards of the environment, are good corporate citizens and are led by accountable managers. Eskom has embraced sustainable development and has been reporting related performance since the mid-1990s; in more recent times, we have been providing insight in respect of ESG-related initiatives through our integrated report and now, also through our sustainability report.

The benefits of using an ESG framework is that we can leverage this information to identify opportunities for continuous improvement to create a business that will be sustainable in all respects in the long term. More importantly, it serves as a navigation framework, guiding us to address our weaknesses and threats, to focus on our strengths, and to take advantage of emerging strategic trends in the electricity sector, specifically in terms of the financial, operational and structural challenges that must be overcome to ensure our ongoing business sustainability.

As a state-owned company, Eskom supports and enables Government's transformation objectives. The shareholder compact with DPE reiterates that, given the inherent dual mandate of SOCs, Eskom is required to pursue both commercial and socio-economic objectives. We give effect to DPE's Transformation Framework and Guidelines which seek to maximise the impact of developmental and transformation objectives as set out by Government.

In recent times, although we remain committed to supporting transformation of the economy, our contributions have been constrained by our challenged operating paradigm. Furthermore, we have not adequately leveraged the magnitude of our spending power and the broad spectrum of initiatives that we are pursuing due to a fragmented approach to transformation.

A significant opportunity to drive transformation arises as we gear up to drive the implementation of our 2035 strategy, which includes our Just Energy Transition. In view of the magnitude of capital spend that will underpin the required undertakings of the 2035 strategy, we have an opportunity to play a key role in facilitating investment to accelerate transformation and meaningfully support Government's objectives as articulated in the NDP's Vision for 2030.

OUR IMPACT ON THE WORLD

South Africa's economic growth has been constrained, with the impact of loadshedding exacerbating the situation. This puts a strain on most customers' ability to pay for services, which manifests itself in lower payment levels and related growth in municipal debt, which stood at R58.5 billion at the end of the financial year. If the current trend continued unabated, given worsening payment levels being experienced, it is expected that municipal debt would reach R209 billion by the 2028 financial year, the end of the current planning horizon.

Poor generation plant performance and system-wide capacity constraints remain a significant risk for both Eskom and the country. Although this risk has become a reality, resulting in sustained high levels of loadshedding over the past year, uncertainty remains around the likelihood of further deterioration despite the implementation of treatment plans. The outlook for the coming year remains poor, unless the Generation recovery plan and plans by the National Energy Crisis Committee are successfully executed within the expected timeframes.

The frequent implementation of loadshedding and the current economic climate pose additional risks to the business sector, as some businesses close or downsize. South Africa is experiencing a growth in unemployment, topping the global charts for youth unemployment. These factors have a ripple effect on socio-economic conditions and are likely to lead to even worse poverty levels, household unaffordability and inequality, to highlight but a few of the risks associated with our inability to meet demand.

OUR ENVIRONMENTAL IMPACT

Eskom contributes about 47% of South Africa's greenhouse gas (GHG) emissions, which means that achieving net zero emissions will be dependent on our ability to reduce carbon emissions. At the same time, investment in the coal industry is declining, while investment in clean energy is on the increase. This will ultimately affect the availability of coal in the long term. While the Russia-Ukraine crisis has led to an immediate increase in coal demand and a significant impact on fuel prices due to limited supply of oil, trends indicate that global investment continues the shift towards clean energy.

Eskom has also become the world's biggest emitter of sulphur dioxide (SO_2), with 97% of our SO_2 emissions associated with coal combustion for power generation. Increased ambient levels of sulphur dioxide pollution is linked to an increased frequency in ailments ranging from asthma to heart attacks. The requirement to comply with environmental legislation and the impact our operations have on the health and environment cannot be ignored. This, together with South Africa's commitments to the Paris Agreement, means that Eskom – as one of the most significant contributors to South Africa's emission challenges – has to lead in finding an optimal way of achieving compliance, while ensuring security of supply. This balancing act needs to consider technological practicalities and also factor in the knock-on effect on the cost of electricity

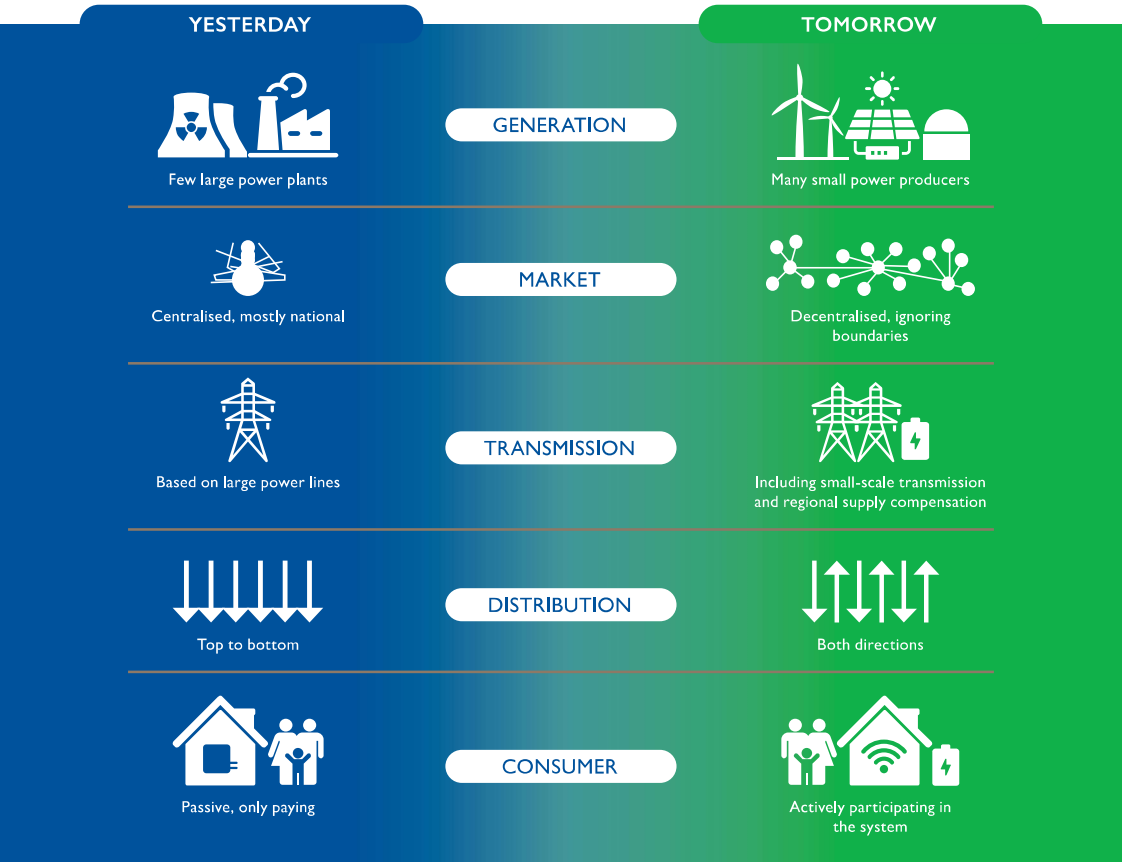
Operating context *continued*

supplied to customers. Nevertheless, it is a challenge to find the balance between the cost of stabilising existing plant, which seeks to improve the availability of generating capacity reliably, and the cost of retrofits required to ensure environmental compliance, which adds no capacity nor improves reliability.

The alignment with global environmental commitments is not limited to Eskom, but also driven by some of our largest customers, who are looking to find sources of clean energy to remain competitive in the export market. Current estimates indicate that 33% of South Africa's trade export is at risk; this number is likely to increase to over 50% of the country's exports being negatively affected by the introduction of carbon border tax adjustment mechanisms by the European Union.

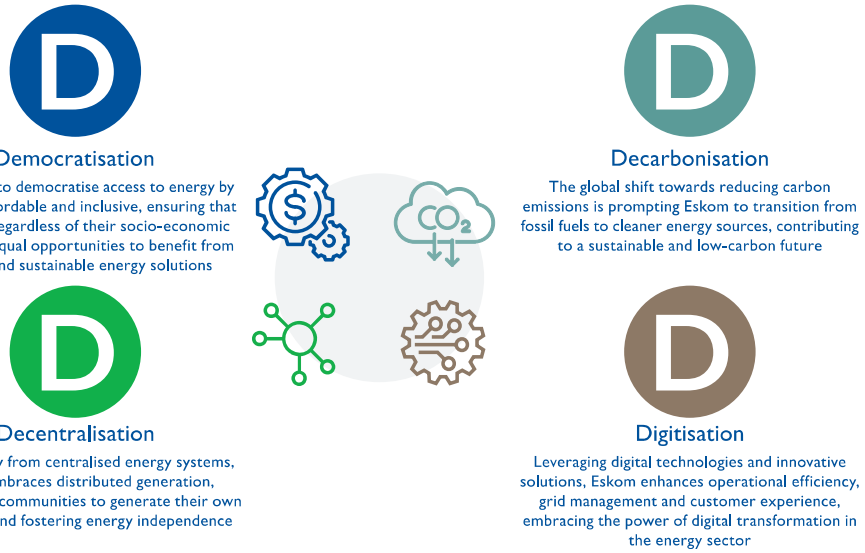
ESKOM'S RESPONSE TO THE CHANGING ELECTRICITY SECTOR

Globally and locally, the energy sector is transforming, driven by fundamental shifts in policy, technology, economic and environmental demands. The industry is evolving from a predictive, vertically integrated model based on centralised generation flowing in a single direction towards a decentralised, modular model based on bidirectional flow of power enabled by smart metering. This introduces new players to the industry and an unfolding series of demand-centric, value-adding applications. The most significant of these is the shift towards greener, cleaner technology, which aims to reduce overall emissions in line with global and South Africa's commitments to the Paris Agreement.



INDUSTRY TRENDS: THE ROLE OF THE FOUR Ds

The following major industry trends are shaping the future of the electricity sector, which can be summarised along four key themes, namely decarbonisation, decentralisation, digitisation and democratisation.



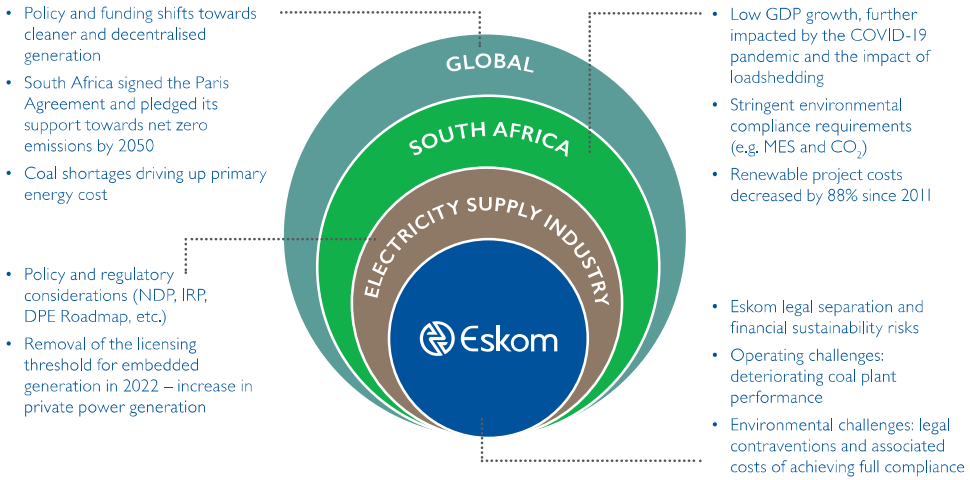
OTHER CONSIDERATIONS

Eskom is the 106th global utility to implement unbundling, which is an important step to enable more private generation capacity to be added to the transmission grid. The establishment of an Independent Transmission System and Market Operator (ITSMO) is a key milestone to attract the estimated R1 trillion investment in generation that South Africa needs over the next decade to meet the growing electricity demand in the long term. This also implies that we will see a rise in competition, specifically in the generation and distribution sectors, and not only the retailing of electricity but also in network provision.

While the world around us continues to evolve, we have experienced significant operational, financial and structural challenges in the latter part of our 100-year journey. These have ranged from operational challenges in the ability of the Generation business to recover declining plant availability, evidenced by the all-time-low energy availability factor, to environmental challenges, which is further compounded by skills challenges. In addition, Eskom has had to contend with financial challenges driven by a weak balance sheet due to a high debt burden, below-cost-reflective tariffs, declining sales, above-inflationary cost increases and escalating arrear municipal debt. Due to historical underinvestment in the transmission and distribution infrastructure due to the need to allocate funds to address generation challenges, the network business finds itself with a significant backlog in the refurbishment and strengthening of the network, together with the geographical expansion and ultimately, the capacity of the network to connect customers to the grid.

These dynamics are all important considerations in our ability to deliver on our mandate, and have affected vital national priorities such as economic growth, job creation and efforts to combat poverty in South Africa, while further denting our poor reputation linked to loadshedding and corruption.

Operating context *continued*



We have long said that our challenges require systemic solutions. Eskom, like many other utilities, must navigate the competing demands associated with the energy trilemma, that is, energy security, energy equity (i.e. access and affordability) and energy sustainability, including the impact thereof on everyday lives. Our 2035 strategy aims to find the optimal balance between prioritising operational, financial and structural recovery from the challenges that are threatening our ongoing business sustainability, and also respond effectively to the global and local transformation shaping the electricity sector.

THE ELECTRICITY CRISIS AND THE PRESIDENT'S ENERGY ACTION PLAN

We spoke at length in our 2022 integrated report about the origins of the electricity crisis gripping South Africa. If we do not respond adequately in the short term, the electricity crisis will severely constrain economic recovery over the next five to 10 years, affecting the trajectory of our recovery in the medium to long term. If we are to regain credibility as a sector and as an investor-friendly emerging economy, we must cater for a whole host of uncertainties. What is certain is that our current trajectory will continue to result in loadshedding, similar to, or even worse than, we have seen over the last few years. The choice we have to make is very clear, and premised on the need to transform and leverage the opportunities presented by the imminent energy transition.

On 25 July 2022, President Cyril Ramaphosa announced the establishment of the National Electricity Crisis Committee (NECOM). It provides an integrated political coordinating platform for the response to the energy crisis, to address loadshedding and enable the reforms necessary for the long-term sustainability of the electricity supply industry. NECOM, through the Energy Action Plan, deals with all aspects of the electricity ecosystem, is chaired by the President and includes the key ministries required to enable faster decision-making, unlock bottlenecks and enable faster deployment of interventions to recover from the electricity crisis.

Despite the focus and endeavour of NECOM-led inter-stakeholder interventions to redress the electricity supply crisis, the start of the 2023 calendar year was fraught with unprecedented levels of loadshedding. The heightened levels of loadshedding had debilitating impacts on every facet of our society, not least on our healthcare sector, the agricultural sector, small businesses, our water infrastructure and our transport networks.

This continued downward spiral prompted the President to announce drastic interventions in the State of the Nation address on 9 February 2023. The President declared a state of disaster on 22 February 2023 to respond to the electricity crisis and its effects (this was terminated on 5 April 2023). This was followed by the appointment of Dr Kgosientsho Ramokgopa as Minister of Electricity in the Presidency, to assume full responsibility for overseeing all aspects of the electricity crisis response, including the work of NECOM.

As Eskom, we are grateful for these interventions, as we continue to emphasise that Eskom alone cannot address the electricity crisis. We will work with the Minister of Electricity to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders, acknowledging that "in a time of crisis, we need a single point of command and a single line of march", as the President pointed out.

The Energy Action Plan sets out the country's response to address loadshedding and achieve energy security. The plan has five key interventions that will be implemented through NECOM, under the leadership of the Minister of Electricity. These interventions and assumptions are outlined below:

OBJECTIVE 1
Fix Eskom and improve the availability of existing supply

We have developed an EAF recovery plan, which is set to deliver 6 000MW by 2025 and achieve an EAF level of 65% by the end of March 2024, with 70% by the end of March 2025. Our outage funding has been adjusted to ensure that adequate capital is available to execute required maintenance on generation plant. Demand-side management interventions will also be implemented over the period. The estimated impact of these interventions is around 1 450MW over the next three years.

OBJECTIVE 2
Enable and accelerate private investment in generation capacity

The latest forecast from the Presidency indicates that more than 9.6GW of new capacity in the form of private sector projects is in the pipeline, with around 5GW planned to come online by 2025. We are also in the process of implementing the innovative land lease initiative which is set to release up to 31 000 hectares of Eskom land with a potential solar PV capacity of around 11GW that could be connected to the grid rapidly, given the proximity to existing network infrastructure.

OBJECTIVE 3
Accelerate new generation capacity

This includes procurement of surplus capacity from the earlier bid windows from the RE-IPP Programme. We have launched the Standard Offer programme to procure up to 1 000MW of additional energy from existing private generators. We are also pursuing the Emergency Generation Programme from new suppliers that have capacity available immediately to dispatch to the grid as and when required by the System Operator, together with the import of additional power from countries in the region.

In addition, DMRE is accelerating the procurement of electricity through planned IPP bid window programmes, with 1 000MW in bid window 6 and a potential 5 000MW in bid window 7 expected to come online by 2026, subject to the availability of grid capacity. This follows a ministerial determination of 18 000MW of new generation capacity from wind, solar and battery storage that was published in August 2022.

OBJECTIVE 4
Enable business and households to invest in rooftop solar

Homes and businesses will be incentivised to install rooftop PV systems, and sell surplus energy generated to the grid. The IRP 2019 is being reviewed, which will provide an updated view of the supply- and demand-side levers available.

We have submitted a net metering tariff for residential customers to NERSA for approval. This should encourage households and businesses to invest in their own generation capacity, contributing to supply and reducing demand. This is also in line with the conditions outlined in Government's debt relief package.

OBJECTIVE 5
Fundamentally transform the electricity sector

Eskom is working resolutely to ensure the establishment of the National Transmission Company South Africa (NTCSA). Upon the promulgation of the Electricity Regulation Amendment Act and receipt of licensing, lender and relevant enabling approvals, the independent market is expected to start trading from 1 April 2024. This will further stimulate investment in the electricity supply industry, as independent electricity suppliers will be able to sell their electricity in the market, reducing pressure on our ageing fleet and providing space to execute much-needed maintenance.

Given the systemic nature of the electricity ecosystem, all of these levers have to deliver as planned, and the required enablers and inherent risks which are outside our sphere of control will need to be managed through NECOM structures to deliver an effective impact on reducing the electricity crisis.

Assuming that all of these interventions materialise and deliver on their objectives, there should be a net increase in South Africa's generation capacity of around 10 000MW by 2025 taking into account the impact of stations approaching their end of life and incorporating the embedded generation uptake. This is expected to result in a reduction in the levels and intensity of loadshedding in the coming years.

While we will ensure that we deliver against our commitment on the Energy Action Plan, other levers outside our control are critical to ensuring the long-term sustainability of the electricity supply industry.

We will play our part in improving fleet performance, procuring capacity and enabling a liberalised market to promote investment in much-needed capacity. Government needs to ensure that the enabling policy is in place for the investments to be made. Fixing the existing fleet alone is not a sustainable solution in the long term. Investment in new generation infrastructure will be critical for the long-term sustainability of the electricity supply industry.

Our strategy and turnaround plan

LEVERAGING THE TRANSITION

While the reality of the energy transition is influencing our strategic direction, we must resolve our financial, operational and structural challenges to create a sustainable platform that allows us to leverage opportunities as the country's policy direction supporting the energy transition unfolds. Consequently, in the shorter term, we must focus on our turnaround plan, which, when achieved, will provide a foundation to pursue our longer term strategic trajectory. Our pursuit of a transitioned utility involves a gradual move towards balancing the response to the short-term crisis with the long-term sustainability of the company.

IGNORE THE TRANSITION
STATUS QUO

Decommission as per IRP 2019, no ambition for future capacity allocation

Delay legal separation and grid expansion efforts

Preserve current Distribution business model

SHRINKING
= Eskom business with no future

OR

RESIST THE TRANSITION
DEGENERATE

Pursue life extensions for existing assets

Maintain the current configuration of Distribution business

Postpone connections of small-scale embedded generators

REGRESSIVE
= Continuing the energy crisis

OR

LEVERAGE THE TRANSITION
TRANSFORM

Harness the transition to address critical challenges: environment, capacity, finance, socio-economic

Adopt alternative Distribution model for implementation

PROGRESSIVE
= Eskom actively supports South Africa's economic growth
= Pioneering a Just Energy Transition (JET) model with global replicability

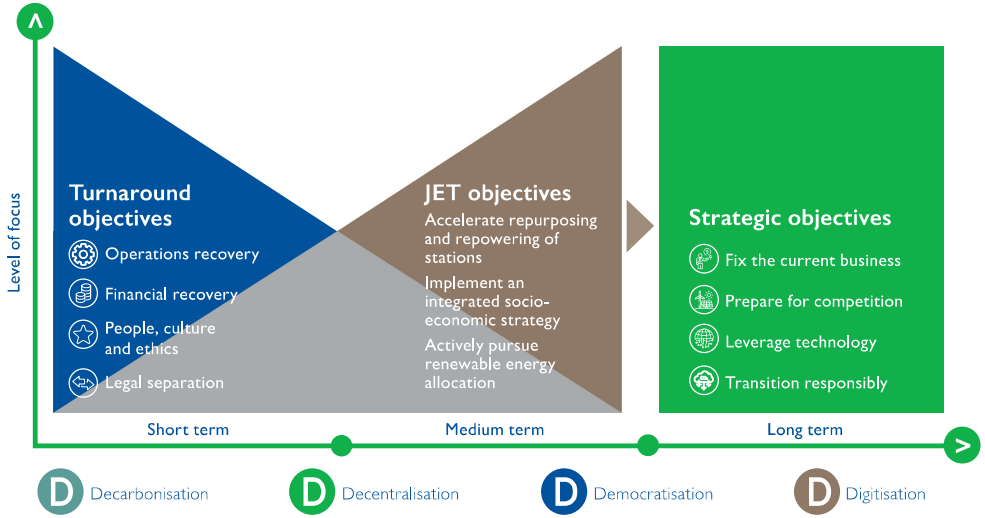
	Risks of ignoring the transition	Benefits of embracing the transition
Trade partners	~33% of trade at risk due to implementation of carbon tariffs by 2030, and up to 56% by 2050	Ensures South Africa's exports are competitive despite growing carbon tariffs
Customers	Large industrial and mining customers decarbonising, looking for renewable energy	Cheaper renewable energy can be sold to large customers looking to decarbonise
Suppliers	Some coal plant OEMs indicated they will not renew select spares contracts	Renewable technology is increasingly practical and costs continue to decline
Funders	Limited, expensive commercial funding and insurance available	Abundant funding available, often at concessional rates

OUR STRATEGY IN A NUTSHELL

While our focus is on delivering the outcomes of the turnaround plan, a deliberate focus will be placed on aligning future investments and aspirations with the imminent transition. By driving a just energy transition (JET), Eskom will be enabled to address many of our immediate challenges in the short term, while facilitating long-term growth and sustainability. The JET will also assist with supporting national goals to decrease greenhouse gas emissions, promote job creation through reskilling, and stimulate economic growth.

The aim of our strategy is to contribute to providing electricity to meet growing demand, have a significantly reduced financial dependence on the South African Government, and demonstrate positive environmental and socio-economic impacts. In the short to medium term, focused effort on performance improvement and optimisation to turn the business around is critical, as is the financial turnaround.

To achieve our desired end state and to ensure an integrated approach to delivering the ambition, we have revised our strategic objectives to incorporate internal and external developments. The objectives will ensure greater urgency on the turnaround and to ensure that the immediate interventions deliver the desired outcomes to set the organisation on a path to sustainability. Consequently, our focus for the next two to three years is to execute the turnaround and legal separation, while positioning the organisation for the transition.



The strategy is not binary, all aspects of the strategy are important, however there is urgent focus on the turnaround to respond to the current energy crisis.

Our strategy and turnaround plan *continued*

LONG-TERM OBJECTIVES

To guide Eskom's activities in navigating the complex environment, our long-term strategic objectives have been defined as indicated below.

Fix the current business

Pursuing financial and operational sustainability

Recover operational performance – target EAF of 70% by March 2025

Address municipal debt while migrating to cost-reflective tariff to achieve financial sustainability

Procure additional capacity, up to 8 000MW by 2026

Improve leadership quality and stability

Entrench an ethical high-performance culture towards a values-driven organisation

Prepare for competition

Facilitating a competitive future energy industry

Operationalise the Independent Transmission System and Market Operator

Revise business models for Generation and Distribution

Develop and offer ancillary services to the market and increase non-regulated revenue streams

Pursue enabling policy and regulatory frameworks

Leverage technology

Modernising our power system

Expand and strengthen transmission and distribution networks (14 000km and 8 000km respectively)

Allocated R72 billion to transmission and R32 billion distribution networks over the next five years

Implement technology solutions to enable distributed generation (e.g. smart meters)

Transition responsibly

Striving for net zero emissions by 2050

Reduce environmental impact through optimised shutdown plan and development of renewable technologies

Repurpose and repower coal power stations and complete Komati repurposing and battery storage projects

Promote industrialisation and job creation

Explore partnership opportunities to invest in gas and pumped storage schemes

FIX THE CURRENT BUSINESS: PURSUING FINANCIAL AND OPERATIONAL RECOVERY

This objective encompasses our turnaround objectives, intended to fix the current business, with a particular focus on generation recovery, financial sustainability and, most importantly, ensuring an ethical and high-performance culture among all employees. Following positive developments on financial challenges, such as the positive revenue decisions for the next two years received from NERSA and the debt relief package announced by National Treasury, we are now in a better position to address the operational challenges that were closely related to the financial constraints. Consequently, efforts are being intensified to focus on the recovery of EAF, procurement of additional capacity and return of units that are on long-duration outages.

Initiatives to improve EAF and recover load losses will be delivered through the Generation recovery plan, initially focusing on the six priority stations which contribute more than 50% to unplanned load losses and where an improvement will have the biggest positive impact on the system – Duvha, Kendal, Kusile, Majuba, Matla and Tutuka. Although the initial focus was on the six priority stations, all stations have detailed recovery plans which are being centrally monitored with related actions being tracked. The plans and their implementation are stress-tested by independent consultants reporting directly to the Board. Generation Division has regrouped its efforts around focus areas and levers to improve people, plant and process performance – these are essential levers to deliver a sustainable improvement into the future.

However, primarily due to system constraints, outages continue to be deferred or cancelled, including those on the six priority stations. These constraints correctly result in priority being given to safety and statutory outages over reliability and performance improvement projects.

The procurement of additional capacity is critical to enable the execution of outages by creating space in a highly constrained system. The Transmission business will contract at least 2 900MW in the next two years, while concurrently executing the rooftop solar PV initiative, enabled by the Distribution business. Solar PV has the potential to deliver around 10GW by 2030. This must be augmented by net billing and the feed-in tariff framework. Interventions to unlock demand-side management through the rollout of industrial energy efficiency campaigns and the rollout of solar water heaters will be implemented to reduce the gap between demand and supply.

The turnaround programme has received a further catalyst in the form of the balance sheet support that will be provided by National Treasury, aimed at supporting the immediate operational and financial challenges to position us on a sustainable path. The conditions that Eskom must abide by during the debt relief period have been clearly articulated.

IR Refer to "Our finances – Funding activities and risks" on page 89 for the conditions attached the Eskom Debt Relief Act, 2023

While the balance sheet support provided by National Treasury will serve as a catalyst to our turnaround efforts, the ongoing challenges related to municipal debt have reached critical levels. Municipalities owed Eskom R58.5 billion at year end, from a level of around R2.6 billion in 2014. The culture of non-payment undermines efforts by Government to ensure that we are financially sustainable. Technological solutions and engagements with various stakeholders are being prioritised to find a sustainable solution to the municipal debt. The municipal debt relief initiative recently announced by National Treasury has the potential to go some way towards addressing the escalating arrear municipal debt challenge.

The success of our turnaround plan rests on our ability to mobilise and rally our people behind the recovery of our operational performance. This involves looking after our people and implementing a high-performance ethical culture to improve employee morale, through deploying appropriate reward and retention strategies to ensure that pockets of excellence are retained, and that underperformance can be dealt with.

A key focus of the turnaround plan will involve an emphasis on addressing the lack of accountability and consequence management, non-compliance with safety standards and housekeeping practices, non-adherence to well-documented procedures, poor operational practices and lack of discipline, as well as on improving leadership quality, stability and continuity throughout the leadership layers.

PREPARE FOR COMPETITION: FACILITATING A COMPETITIVE ENERGY INDUSTRY

The entry of additional private generators presents a number of risks to the sustainability of Generation's business. At the same time, the penetration of large-scale additional generators provides opportunities for the business to participate in the emerging market by providing the base-load capacity that will be required to complement the intermittent nature of renewable energy. This will simultaneously require the Generation business to ensure that the plant can operate in a reliable manner and has the capability to operate flexibly in response to the dynamic nature of the system.

We have already identified opportunities where the Generation business can leverage its existing assets to participate in the future industry. These include the land leasing initiative, which has seen overwhelming support from the private sector to invest in land, with the first tranche attracting more than 2 000MW in renewable energy capacity. Land leasing at, or in close vicinity to, our power stations provides easy access to the grid to stimulate private sector participation in adding additional generation capacity in the short to medium term. Approximately 31 000 hectares of Eskom land has been identified for land leasing, with a potential PV capacity of around 11GW.

In the medium to long term, ancillary services that will be provided by gas and pumped hydro storage schemes will play a critical role in the future energy mix. The Generation team will be exploring partnership opportunities to enable it to offset the reduction in market share as a result of stations reaching their end of life with new opportunities in line with the evolution of the industry.

The establishment of an Independent Transmission System and Market Operator (ITSMO) in line with DPE's Roadmap is critical for the sustainability of the electricity supply industry. Enabling additional generators and establishing market platforms will attract much-needed private investment in the generation and distribution sectors, while reducing reliance on Government's already constrained balance sheet.

Eskom needs to further position itself to respond to the changing environment through the introduction of technology for better efficiencies and to manage a dynamic network within regulatory limits, specifically, the establishment of a Distribution System Operator (DSO) to manage and coordinate distributed generation as a neutral facilitator of open markets; the provision of ancillary and balanced responsible services to the ITSMO to secure the power system; and the implementation of active partnering to solve incapacity and non-payment challenges at municipalities.

LEVERAGE TECHNOLOGY: MODERNISING OUR POWER SYSTEM

The evolution of the electricity supply industry and connection of large-scale renewable and distributed energy also require significant strengthening and expansion of transmission and distribution infrastructure, in line with the stated capacity requirements of the Transmission Development Plan (TDP), which are cascaded into the Distribution Network Development Plans.

In order to ensure that the rollout of the transmission grid is not a constraint to adding more generation capacity, innovative ways of delivering more lines are being considered, including concessioning and "build, operate, transfer" (BOT) models. In the short to medium term, the Transmission and Distribution businesses will be capacitated to expedite the delivery of around 14 000km of new transmission network and 8 000km of new distribution network by 2035. Additional technology solutions such as smart meters will enable bidirectional metering that, together with appropriate feed-in tariffs, will stimulate small-scale embedded generators, most notably, greater investment in rooftop solar by customers.

Our strategy and turnaround plan *continued*

We have allocated approximately R46 billion over the next five years to address the infrastructure requirements across the Transmission and Distribution businesses to modernise the grid and invest in information technology upgrades.

Our IT strategy is focused on solutions to empower the user (both employees and customers) through the use of technology and simplifying the user experience. The IT strategy is also aligned to enable a digital business transition, specifically within the realm of addressing fraud and high-risk procurement. We are investigating the implementation of a robust fraud analytics platform to identify, reduce and eliminate waste, abuse and fraudulent procurements. Billing and customer interface analytics aimed at reducing non-technical losses to support revenue assurance are also being developed. Block chain technology use cases are being investigated to manage spending, promote transparency and reduce fraudulent transactions in the supply chain of goods and services.

TRANSITION RESPONSIBLY: STRIVING FOR NET ZERO EMISSIONS BY 2050 WITH AN INCREASE IN SUSTAINABLE JOBS

Stricter legislation means that approximately 16GW (33% of our installed capacity) is at risk of being shut down immediately due to non-compliance. Techno-economic indicators also show that life extension of ageing power stations is not a viable strategy, given the extraordinarily high cost of prolonging the life of old power stations, the significant cost of environmental compliance, the impact on the country's export competitiveness and the negative impact this may have on our industrial and commercial customer base.

We are working with the relevant ministries, specifically the Department of Forestry, Fisheries and the Environment (DFFE) to align on an optimal solution for South Africa and Eskom to meet minimum emissions standards (MES) and in the medium to long term, and reduce Eskom's GHG emissions through a well-controlled just energy transition while avoiding investment of more than R300 billion in emission-control equipment.

Our focus is on a well-planned, optimised shutdown of stations that are approaching their end of economic life, consistent with the IRP 2019, while mitigating the associated socio-economic impacts on affected communities.

STRATEGIC TIMELINES
OUR JUST ENERGY TRANSITION (JET) STRATEGY

0–3 years

Short term: Turnaround objectives

- Improve plant availability (EAF) and recover ~6 000MW
- Procure additional capacity
- Operationalise NTCSA and enable energy trading
- Expand, strengthen and modernise the grid to enable new electricity supply industry
- Drive ethical and high-performance culture

3–5 years

Medium term

- Sustain plant availability at 70%
- Implement optimal tariff structure and achieve cost-reflective tariffs
- Establish Distribution System Operator and energy trading business
- Revise business models for Generation and role in renewables market
- Implement social plan to support optimised shutdown of ageing coal plants

>5 years

Long term: Strategic objectives

- Increase non-regulated revenue streams
- Finalise legal separation
- Position the Eskom brand as the employer of choice
- Construct 14 000km transmission grid and 8 000km distribution network
- Improve environmental performance by 2035 by reducing SO_2, NO_x, particulate matter and CO_2

Eskom's long-term strategy positions us as an enabler of JET and a key role player in executing the IRP 2019. The JET is about leveraging opportunities presented by the transition to a cleaner and greener energy future, while creating new job opportunities for those displaced by the replacement of coal by cleaner technologies. It means a transition towards a low-carbon, climate-resilient economy and society in a manner that does not impede socio-economic development, but results in an increase in sustainable jobs. It is not a sudden shift in economic activity but occurs in a phased manner over time.

The JET programme has three main objectives:

- Just elements: doing better for people and the planet, while growing localisation and industrialisation
- Energy elements: cleaner, sustainable, reliable electricity provision
- Transition elements: transformational change of business models, attracting green financing

The first five years of the transition are deemed to be the most critical to enable the sustainable success of the just transition of both Eskom and the country, and to make a vital contribution to economic growth, job creation, socio-economic development, and laying the foundation for a stable, equitable and cohesive South Africa.

The key focus areas in the immediate and short term include refining the approach to the repurposing and repowering of stations, ensuring alignment with Government's Just Energy Transition plans, actively pursuing renewable energy allocations through partnerships and implementing an integrated socio-economic strategy.

Preparing for the repurposing and repowering of stations is intended to mitigate the socio-economic impact on the communities surrounding the stations that will be reaching their technical and economic end of life. This initiative is meant to enable and optimise the just transition from coal to more carbon-efficient electricity generation. Solar PV, wind, battery storage and gas are immediate technologies prioritised for repowering initiatives, with investigation of other technologies to be considered in the medium to longer term.

It is noted that the conditions of the debt relief package from National Treasury precludes investment in new generation over the debt relief period. The debt relief conditions are also clear on the immediate next steps for generation. These entail that National Treasury, in collaboration with DPE, conduct an independent assessment of Eskom's operations which will recommend which power stations can be resuscitated to original equipment manufacturer's standard. As part of this assessment, other options like concessioning of some power stations will be considered, including the optimal approach to the stations reaching their end of economic life.

Over this period, we will prioritise and deliver on the Komati repurposing and repowering project and support the efforts of the President's Energy Action Plan to unlock additional capacity through more innovative land leasing initiatives. This will also include partnering with the private sector to train our employees, while enabling future growth.

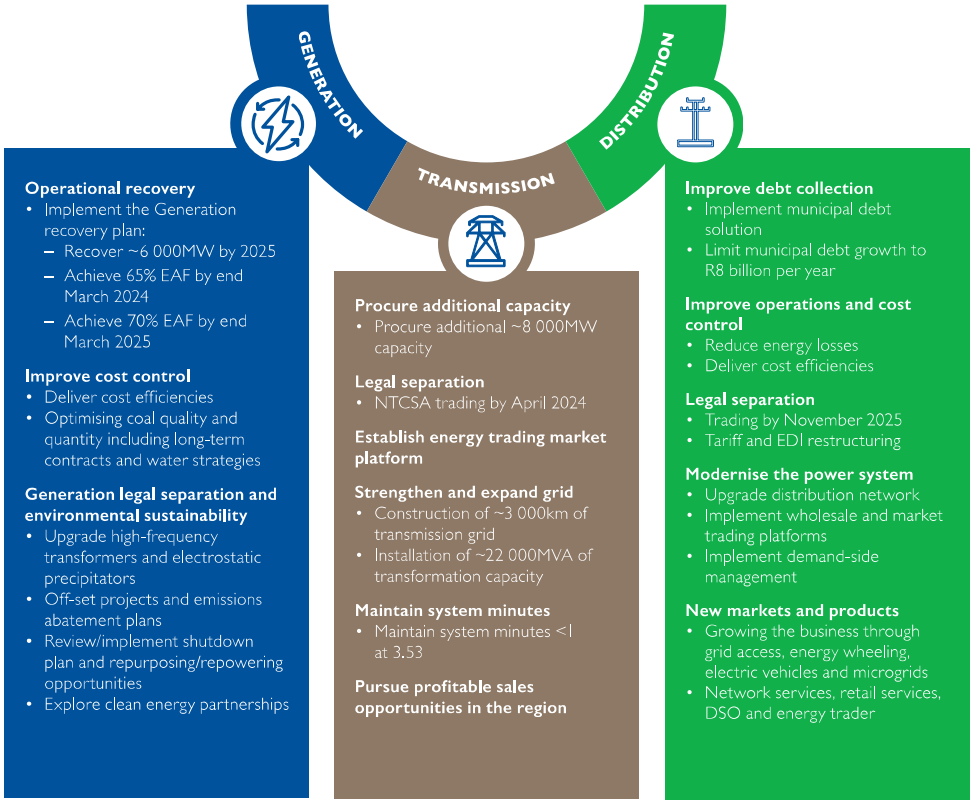
Enabling the transition to renewable energy will improve the carbon intensity of South African industries and will retain competitiveness. Renewables will be enabled through partnerships and power purchase agreements (PPAs). Potential for local manufacture, optimisation regarding established special economic zones (SEZs) and renewable energy development zones (REDZs) will be leveraged.

The proactive approach to planning a just energy transition for Eskom will enable a more integrated approach to socio-economic strategy. Some of the additional benefits of moving towards lower-carbon technologies are the potential to create new and exciting jobs and a greater preservation of biodiversity in South Africa. The increase in investment in cleaner technologies will open the door for social upliftment through job creation, the creation of demand along the electricity supply chain, and the development of previously disadvantaged groups, including black- and women-owned companies, as well as promoting community-based ownership. The initial focus is on reindustrialisation in the Mpumalanga region as a result of the scale of our operations in this region.

DEVOLVING THE STRATEGY

In driving initiatives within Eskom, we will align with national JET plans as well as the Presidential Climate Commission on all matters involving the transition, including targets, funding mechanisms, localisation, industrialisation and socio-economic impacts.

Our strategy and turnaround plan *continued*



Our operating divisions are each focusing on initiatives to give effect to the strategy, encompassing both the short-term turnaround objectives and the long-term objectives.

As the country works towards solving the energy trilemma, of ensuring energy security, energy equity (access and affordability), and energy sustainability for the economy and the people of the region, Eskom will work closely with the Minister of Electricity and through NECOM, to give effect to the turnaround. In collaboration with key stakeholders, we will strive to support the transition by supporting Government's policy direction for the future electricity sector, as we strive to deliver on our vision of "sustainable power for a better future".

PROGRESS ON LEGAL SEPARATION

The Board resolved to align to and implement legal separation as set out in DPE's *Roadmap for Eskom in a Reformed Electricity Supply Industry* (DPE's Roadmap) issued in October 2019, by implementing business separation and forming separate wholly owned subsidiaries to house Generation, Transmission and Distribution, based on the revised timelines adopted at the Inter-Governmental Steering Committee (IGSC).

Functional separation has been completed for all divisions, as previously reported.

Several external dependencies and risks have been considered and attended to and are at varying stages of completion. These include:

- Implications to lenders and loan covenants
- Eskom's debt challenges
- Implications to the assessed tax loss benefit
- Staff transfer and labour consultations
- The need to unbundle tariffs prior to separation
- Policy and Government-approved market rules
- A legal framework for the restructuring process
- A regulatory framework and licensing requirements

TRANSMISSION PROGRESS

Previously communicated plans proposed NTCSA operationalisation readiness by December 2022 and commencement of trade in April 2023, subject to the various dependencies.

Operationalisation readiness was not achieved and NTCSA did not start trading as planned due to several external dependencies. These are:

- Acquiring licences from NERSA
- Obtaining lender consent
- NTCSA being designated as buyer by DMRE
- Conclusion of various governance requirements with a key issue being the appointment of independent directors for NTCSA by DPE

The revised Transmission licence applications (for three licences) were submitted to NERSA in September 2022. Following a process which included a public comment period, NERSA has awarded the three licences from July 2023 onwards, although the licences have not yet been issued.

The Transmission lender engagements with all lenders have been completed and documentation was submitted to those lenders from whom consent is required. Consent was delayed from the target date of 31 August 2022, as lenders required further feedback on National Treasury's proposed debt relief to Eskom. Bilateral lender engagements after the National Budget Speech in February 2023 have been completed. Formal requests for consent were submitted to the relevant lenders. Consent is dependent on each lender's governance processes.

An interim NTCSA board and some governance structures are in place. The Minister of Public Enterprises requested that the newly appointed Eskom Board review the list of proposed NTCSA directors submitted previously. After consideration by the Governance and Strategy Committee, the Board has recommended candidates for DPE's consideration to ensure that the NTCSA supports the establishment of an energy trading platform to promote competition in the electricity generation industry.

A process is under way with Government and NERSA to designate NTCSA as buyer of power from IPPs.

Trade unions have elected to approach the Group Executive: Human Resources to seek a resolution of matters they raised during various arbitrations. They have reiterated that they are not convinced on the appropriateness of a section 197 process and that they still require specific information to be able to conclude their position. Consultations will be reopened to allow time for further discussions. The discussions will be scheduled upon receipt of NTCSA's licences.

SARS issued a VAT ruling in February 2022 and an income tax ruling in March 2023 regarding the transfer of assets to NTCSA, confirming that intra-group corporate rollover provisions will apply and the transfer of assets to NTCSA will be tax neutral.

We are working on revised plans for NTCSA operationalisation and commencement of trade. We expect operationalisation of NTCSA by April 2024.

DISTRIBUTION PROGRESS

The previously communicated plans had targeted Distribution corporatisation by December 2022, readiness for operationalisation by December 2023 and commencement of trade by April 2024, subject to the various dependencies, among which the Transmission separation and approval of the second PFMA application.

The first PFMA application for the establishment of the Distribution company was approved by DPE and National Treasury. The memorandum of incorporation was approved, and the National Electricity Distribution Company South Africa (NEDCSA) has been registered with CIPC.

However, corporatisation was not achieved by December 2022 as the second PFMA application for operationalising Distribution was still being processed by DPE. Following approval of the PFMA application by DPE in October 2023, the merger agreement has to be concluded.

The key risks to legal separation of Distribution are:

- Delays in NERSA engagements regarding licensing, as Distribution will only apply for its licences once the Transmission licences are in place, as Distribution's licences will reference the Transmission licences. Certain amendments, which are expected to arise from the Transmission licences, may have to be incorporated
- Resolution of municipal debt challenges
- Impact of the ERA amendment bill
- Delays in obtaining lender consent

Due to these delays and dependencies, commencement of trade is targeted by November 2025.

GENERATION PROGRESS

The intention is to form a new Eskom holding company, wholly owned by Government, which will in turn acquire all of the shares in the existing Eskom Holdings SOC Ltd. The existing company will then change its name to Eskom Generation and transfer Eskom's corporate assets into the new Eskom holding company.

The due diligence report for Generation has been finalised and completed. Given the approved corporate structure, the unbundling of Generation is dependent upon the establishment and operationalisation of a new holding company. The legal separation of Generation was not completed by 31 December 2022 as originally expected due to this dependency.

We are awaiting Government's guidance on the way forward.

The revised plans target establishment of the new holding company in 2024/25 and legal separation of Generation in 2025, due to the dependency on legislation and Government policy.

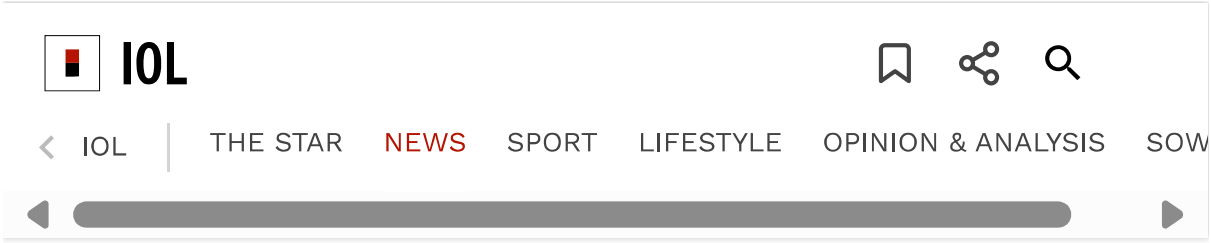
THE STAR NEWS

Numsa secures wage increase at Eskom, avoiding a strike

South Africa - Cape Town - 24 March 2023 - Eleectricity Minister Kgosientsho Ramokgopa visited the Ankerlig Open-cycle gas turbines (OCGT) facility located in the Western Cape as part of the ongoing visits to the Power Stations. The second site visit today was the Koeberg Nuclear Power station. The stations general manager, Avi Singh, took the minister on a walkabout of the facility.Ramokgopa then made a stop at the countrys only nuclear power station, Koeberg, where he also met with the executive. .Photograph :Phando Jikelo/African News Agency (ANA)

| Published Jun 19, 2023

Johannesburg - The National Union of Metalworkers of SA (Numsa) has managed to avert a strike at Eskom. The union has secured a 7% wage increase for workers there.



The profitability of the company was also another issue during the negotiations with the unions.

Numsa spokesperson Phakamile Hlubi-Majola said the agreement was a three-year agreement that was valid from July 1, 2023, to June 30, 2026.

Wages will be increased by 7% across the board for year one, 7% for year two, and 7% for year three.

More on this

- **Victory for workers, says Numsa as unions reach agreement with Eskom**
- **Eskom, unions agree to above-inflation salary hike of 7%**
- **Eskom tight-lipped over CEO shortlist**

"The increase for year one will be implemented from June 30, 2023, and will be implemented in terms of Eskom's remuneration principles. Housing allowance will be increased by 7% for year one, 7% for year two, and 7% for year three. Eskom shall pay a once-off taxable payment of R10 000 to all employees for year one of the agreement. And again, in the second year of the agreement, a once-off taxable payment of R10 000 will be paid to workers," Hlubi-Majola said.

She said all parties had agreed to engage on a number of issues within the next 12 months, including income differentials and

FINANCE

Eskom on track for another huge loss

Bloomberg · 13 Dec 2023

South Africa's Eskom Holdings SOC Ltd. is on track to post its seventh consecutive full-year loss as the utility crumbles under the weight of its debt pile and high financing costs, poor plant performance and a ballooning municipality arrears book.

The state-owned electricity provider posted a R1.62 billion interim profit in the period through Sept. 30, from a prior R3.8 billion profit a year earlier, the company said in a statement posted on its website on Wednesday.

The losses present another strike to Eskom, which desperately needs to reduce its debt and has survived on the back of taxpayer funds.

Earlier this year, the National Treasury allotted a R254 billion debt-relief package to deal with some of its R400 billion debt. Despite the support, Eskom's debt sits at R408.62 billion, 6% more than a year earlier.

Eskom's operational struggles have rendered the 100-year-old company, which generates power from some 15 coal-fired plants, unable to provide sufficient power to meet the country's demand, forcing it to ration electricity in a program known locally as load shedding.

The resultant erratic electricity supply has hurt the economy and pushed businesses and households to seek alternative power, in turn crimping sales and affecting revenue generation.

Electricity revenue rose 10% to R164.16 billion, Eskom said.

Falling sales place the monopoly in an even more precarious position financially. While operational performance has been showing slight improvements over time, it has not been enough to remedy the poorly maintained generation units that still necessitate the implementation of power cuts.

Debt securities and borrowings increased to R442.7 billion.

Read: Eskom is closing the taps

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ENERGY

Stage 5 load shedding strikes again as more Eskom units go down

Staff Writer · 12 Sep 2023

Eskom says that stage 5 load shedding will continue on Tuesday, as four more of its units have gone down.

Due to the loss of four generation units overnight, stage 5 load shedding will be implemented from 10h00 until 16h00 on Tuesday, it said.

This is after a brief downgrade to stage 4 from 05h00 this morning.

The power utility had intended on keeping load shedding between stage 2 and stage 4 this week, but generation losses on Monday pushed the group into all-day stage 4 load shedding until further notice.

A need to restore emergency reserves pushed load shedding to stage 5 on Monday evening, but the intention was to return to lower stages during the day on Tuesday.

This plan has not panned out, however.

The country has been warned that load shedding is likely to intensify over the near term as the utility pushes to get more megawatts online by the end of the year.

During a press briefing on Sunday, electricity minister Kgosientsho Ramokgopa attributed the recent escalation in load shedding to a trifecta of issues: demand remains high and often unpredictable; Eskom has suffered several outages; and planned maintenance has ramped up following the winter cut.

While the minister expressed confidence that the electricity situation will improve heading into the last quarter of the year – as the Kusile Power Station will be adding much-needed capacity to the grid, providing a buffer for increased maintenance elsewhere – he did warn that the situation is likely to remain volatile until then.

The minister said that while planned maintenance is being ramped up, any unplanned outages or delays in getting units back online would mean that load shedding would have to be intensified.

load shedding," he said.

He stressed that the government and Eskom would not compromise on the ramping up planned maintenance.

"It is a calculated risk. We are going to do this the right way; we are going to fix these units. It's a short-term pain for long-term gain," he said.

Schedules

For people living in the major metros, load shedding schedules are available here:

- City of Johannesburg
- City of Ekurhuleni
- City of Tshwane
- City of Cape Town (PDF)
- Nelson Mandela Bay
- eThekwini
- Manguang
- Buffalo City

For access to other load shedding schedules, Eskom has made them available on **loadshedding.eskom.co.za.**

Smartphone users can also download the app EskomSePush to receive push notifications when load shedding is implemented, as well as the times the area you are in will be off.

Figure 1: Overview of key economic statistics

As per Stats SA's monthly indicators published in February 2024

	y/y percentage change			m/m percentage change			3-month	Annual
	Oct-23	Nov-23	Dec-23	Oct-23	Nov-23	Dec-23	Oct–Dec	2023
Mining production	3,7	6,9	0,6	2,0	2,7	-4,2	2,5	-0,4
Manufacturing production	2,3	2,5	0,7	0,0	1,2	-1,7	0,1	0,4
Electricity generation	1,6	-3,0	4,3	3,8	-2,3	1,1	2,7	-4,4
Buildings completed (value)	-2,6	-5,4	-21,0	4,2	-1,7	-23,9	5,3	-19,0
Wholesale trade sales	-7,4	-3,4	-8,0	-5,6	5,6	-4,3	-4,8	-3,1
Retail trade sales	-2,3	-1,0	2,7	-1,7	1,1	1,4	-0,4	-1,0
Motor trade sales	-2,6	-2,9	-2,5	-0,5	1,6	1,4	-0,5	-1,8
Income from tourist accommodation	11,0	14,7	10,2	-3,9	-1,4	2,7	-6,4	28,4
Restaurants, catering & fast-food income	0,5	-0,6	5,0	-2,9	-3,9	3,4	-2,7	3,7
Rail transport: Freight payload	18,4	46,0	16,9	-16,4	-4,0	2,5	-1,0	2,7
Road transport: Freight payload	-3,5	-1,7	-5,9	2,5	1,4	-2,8	3,3	1,2
Rail transport: Passenger journeys	140,1	112,7	62,1	3,2	5,2	0,0	9,8	118,4
Road transport: Passenger journeys	12,9	6,8	5,0	-4,3	2,6	0,8	4,1	7,9
	Nov-23	Dec-23	Jan-24	Nov-23	Dec-23	Jan-24		
Consumer Price Index (CPI)	5,5	5,1	5,3	-0,1	0,0	0,1		6,0
Producer Price Index (PPI)	4,6	4,0	4,7	-0,6	-0,6	0,1		6,7

m/m = month-on-month y/y = year-on-year 3-month = percentage change between the previous 3 months (July–September) and the latest 3 months (October–December)

stats sa
Department:
Statistics South Africa
REPUBLIC OF SOUTH AFRICA